

GOVERNMENT THAT WORKS!
NEW JERSEY DEPARTMENT OF THE TREASURY
LOCAL GOVERNMENT BUDGET REVIEW
MORRIS TOWNSHIP

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GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Morris Township Budget Review Team

New Jerseyans deserve the best government that their tax dollars can buy. Governor Christie Whitman is committed to making State government leaner, smarter, and more responsive, by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board.

Government on all levels must stop thinking that more money is the solution to their problems, and start examining how they spend the money they have now. The State's taxpayers cannot afford to keep sending money to their government. It is time for government to do something different.

There is no doubt that local government costs -- and the property taxes that pay for them -- have been rising steadily over the last decade. Until now, the State has never worked with towns to examine what is behind those rising costs. That is why the Local Government Budget Review Program was created by Governor Whitman and State Treasurer Brian W. Clymer. Its mission is simple: to help local governments find savings, without compromising the delivery of services to the public.

The Local Government Budget Review Program fulfills a promise Governor Whitman made in her first budget address, when she offered the State's help to local governments looking to cut costs. This innovative approach combines the expertise of professionals from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a management review and consulting service provided to them at no cost by the state.

To find those "cost drivers" in local government, the teams will review all aspects of the local government operation, looking for ways to improve efficiency and reduce costs. The teams will also document those State regulations or legislative mandates which place an unnecessary burden on local governments, and suggest which ones should be modified or eliminated. Finally, the teams will note where local governments are utilizing "Best Practices" -- innovative ideas that deserve recognition and that other municipalities may want to emulate.

This intensive review and dialogue between local officials and the review team is designed to produce significant insight into what factors are driving the costs of local governments, and provide the necessary tools to bring meaningful property tax relief to the State.

EXECUTIVE SUMMARY

The Morris Township report begins with a summary of four best practices deserving to be copied throughout the State of New Jersey. Section Two contains a series of recommendations pertaining to budgeting and purchasing procedures; support service functions; police, fire and municipal court services; public works; health and human services; the Sewer Utility Fund, and the Pool Utility Fund. Section Three focuses on one suggestion to change State practices and procedures that is instrumental to the continued success of the volunteer fire department. The final section of the report addresses “Special Opportunities for Enhanced Cooperation.”

The four best practices identified in the first section are the accreditation of the Morris Township Police Department; the volunteerism, volunteer recognition and volunteer incentives used by the township, the Black Meadows Regional Cooperative comprised of several area fire departments, and the Leadership Morris Project.

Section Two of the report notes the township’s recurring pattern of under-estimating revenues, over-estimating appropriations, unnecessarily budgeting surplus and understating the projected tax collection rate. When considered together, changes in these practices will give the Township Committee the opportunity to reduce the municipal tax rate by at least 6.1 cents per \$100 valuation. The report also suggests the township reduce its surplus significantly, particularly since its facilities are in excellent condition and there has been no history of over expenditures or emergency appropriations. Adjustments in the use and management of special or reserve funds are also suggested.

In the area of support services it is suggested that the number of bank accounts be reduced; all public funds be placed in interest bearing accounts; the balance of the Public Assistance Trust Fund I be reduced; the weekly payroll process be stopped; the staff in the tax collection office be reduced; risk management and safety procedures be improved; the records retention and management system be automated and that training on the existing computer systems be expanded to permit optimal use.

Recommendations impacting the police department, fire department and municipal court include expanded use of civilian personnel, adoption of mutual response zones, continuation of the alternate fuels program, review of the causes of overtime, reduction in the senior staff of the police department, reductions in the cost of hydrant charges paid by the township, minor changes in the scheduling of the municipal court docket and the scheduling of one evening court session per month.

A series of recommendations are offered to bring the cost of maintaining the municipal vehicles in line with market rates. Additional recommendations effecting the public works department include modifying the refuse and recycling collection systems and transferring the park maintenance personnel into the department.

It is recommended that the township adopt a fee schedule for recreation programs in order to reduce the burden on the taxpayer; eliminate the prohibition against participation by non-residents; revise the security procedures in the Morristown-Morris Township library; improve the effort to recover costs resulting from the special health programs; and serve as the host or base agency for a regional health unit.

The review team found similar budgeting patterns in the Sewer Utility Fund and offered similar recommendations to improve the accuracy of the annual budget. The team also emphasized the need to share costs properly between funds; identify the true costs to be charged to outlying communities; change the rates structure from a flat fee to one based on water consumption; change the calendar for sewer billing; and reduce the unrestricted surplus by providing a rate reduction and/or using the money to restructure the fund's long term debt. The team raised several questions about the environmental propriety and cost effectiveness of a requirement to reduce the level of phosphorus to a point well below the normal levels found in the Great Swamp. The review team also recommended the elimination of redundant mid-management positions.

Unlike the sewer utility fund, the swimming pool utility fund was found to be barely solvent. Recommendations are made to reduce the size of the seasonal staff; refinance or defease the debt; cancel all unused appropriations; and, actively market the sale of pool permits to improve operating revenues. It is also suggested that consideration be given to joint management of all area pools. If these changes do not stabilize the pool utility fund then it is recommended the township consider soliciting proposals for contract operation of the pools or absorb the pool budget into the tax supported current fund budget.

Although several proposed changes in State regulations and procedures were discussed during the interviews with staff and elected officials, this report focuses on only one change because of its importance to the community. It is recommended that the minimum training standards for volunteer fire fighters be reviewed with the intent of removing the disincentives to volunteer recruitment.

In the final section of the report eight opportunities for enhanced regional cooperation are identified. They include cooperatively contracted vehicle maintenance; interlocal building permits and inspections; cooperative fire subcode inspections; consolidated tax and utility bill collections; mutually contracted payroll services; joint emergency services dispatching; a "community education and recreation" enterprise fund, coordinated programs for seniors and seasonal road repair.

**COMPARISON OF BUDGET APPROPRIATIONS, STATE AID, AND THE
LOCAL TAX RATE WITH RECOMMENDED CHANGES IN THE TOWNSHIP
OF MORRIS COST OF GOVERNMENT**

RECURRING COST REDUCTIONS AND REVENUE ENHANCEMENTS

Current Fund

Adjust annual revenue projections to more accurately reflect revenue received by the township. Recurring revenue enhancement - \$1,251,000.

Limit the difference between the projected and prior tax collection rates to no more than one percent thereby reducing the annual reserve for uncollected taxes. Recurring cost reduction - \$621,600.

Charge sewer utility fund for cost of benefits for existing shared positions. Recurring revenue enhancement - \$38,146.

Charge sewer utility fund for appropriate share of common costs such as insurance premiums, etc. Recurring revenue enhancement - To be determined.

Reduce payroll service fees by eliminating weekly payroll process. Recurring cost reduction - \$7,200.

Eliminate one position in the tax collection office; the savings to be shared by the current fund and sewer utility fund equally. Recurring current fund cost reduction - \$16,000.

Consolidate Planning Board and Zoning Board of Adjustment. Recurring cost reduction - \$14,000.

Replace uniformed dispatcher with civilian dispatcher. Recurring cost reduction - \$29,000.

Eliminate administrative patrol officer position. Recurring cost reduction - \$59,350.

Eliminate police department mechanic position. Recurring cost reduction - \$53,725.

Reduce police overtime by 50 percent through review of minimum staffing levels and court scheduling procedures. Recurring cost reduction - \$35,000.

Eliminate four patrol officer positions upon transition to a 12 hour schedule. Recurring cost reduction - \$187,580.

Eliminate redundancy in police management by deleting the deputy chief position when it becomes vacant. Recurring cost reduction - \$85,180.

Reduce fire department overtime through improved vacation scheduling and change in lunch time staffing policy. Recurring cost reduction - \$29,165.

Pursue reduction in fees charged for use of hydrants. Recurring cost reduction - \$55,000.

Eliminate health benefits provided to the prosecutor. Recurring cost reduction - \$6,776.

Reduce appropriation for vehicle maintenance to equivalent of market rates. Recurring cost reduction - \$368,400.

Charge sewer utility fund for cost of repair and maintenance of vehicles. Recurring revenue enhancement - \$55,000.

Limit appropriation for refuse collection to market place rates. Recurring cost reduction - \$160,142.

Modify procedure for collection of recycling if labor costs and tipping fees are greater than cost of contracted service. Recurring cost reduction - To be determined.

Adopt a fee schedule for recreation programs and services. Recurring revenue enhancement - \$64,665.

IDENTIFIED TOTAL - CURRENT FUND

Recurring cost reductions	\$1,728,118
Recurring revenue enhancements	<u>\$1,408,811</u>
TOTAL	\$3,136,929

Total Amount to be Raised for Municipal Tax - 1995	\$11,692,375
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Recurring reduction in cost of government as a percent of municipal tax	26.8%
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Total Current Fund Budget - 1995	\$20,371,875
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Recurring reduction in cost of government as a percent of the 1995 budget	15.4%
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Total State Aid - 1995	\$ 4,268,252
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Recurring reduction in cost of government as a percent of 1995 State aid	73.5%
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Sewer Utility Fund

Absorb costs of benefits for existing shared positions. Recurring expense - \$38,146.

Absorb cost of additional shared expenses. Recurring expense - To be determined.

50 percent of savings resulting from elimination of position in tax office. Recurring cost reduction - \$16,000.

Pay current fund for cost of vehicle maintenance. Recurring expense - \$55,000.

Eliminate additional chemical treatment plant at one sewage treatment plant. Recurring cost reduction - \$86,000.

Reduce redundant supervisory positions in the sewer utility fund. Recurring cost reduction - \$129,700.

IDENTIFIED TOTAL - SEWER UTILITY FUND

Recurring cost reductions	\$231,700
New expenses	<u><\$ 93,146></u>
TOTAL NET REDUCTION	\$138,554

Pool Utility Fund

Absorb appropriate share of common expenses. Recurring expense - To be determined.

Enhance operating revenue through sale of additional pool permits. Recurring revenue enhancement - \$22,600.

Reduce annual debt service payments through refinancing of existing debt. Recurring cost reduction - To be determined.

Reduce seasonal payroll by ten percent. Recurring cost reduction - \$19,220.

IDENTIFIED TOTAL - POOL UTILITY FUND

Recurring cost reductions	\$19,220
New revenues	<u>\$22,600</u>
TOTAL NET IMPACT	\$41,820

**NON-RECURRING REVENUES, COST REDUCTIONS
AND FUND ADJUSTMENTS**

Current Fund

Cancel unused appropriations prior to end of fiscal year. \$509,624

Return excess surplus to taxpayers. \$2,224,000

Transfer excess in police account to unrestricted fund balance. \$58,130

Transfer 80 percent of average daily balance of PATF I account to unrestricted fund balance. \$29,346

Improve net collection of delinquent taxes. \$500,000

Reduce future capital expenditures by reducing number of vehicles. \$450,000

CURRENT FUND TOTAL: \$3,771,100

Total Amount to be Raised for Municipal Tax - 1995	\$11,692,375
Sum of recurring reductions and non-recurring adjustments (\$6,908,029) in cost of government as a percent of municipal tax	59.1%

Total Current Fund Budget - 1995	\$20,371,875
Sum of recurring reductions and non-recurring adjustments in cost of government as a percent of the 1995 budget	33.9%

Total State Aid - 1995	\$ 4,268,252
Sum of recurring reductions and non-recurring adjustments in cost of government as a percent of 1995 State aid	161.8%

Sewer Utility Fund

Cancel unused appropriation prior to the end of the fiscal year. \$231,923

Return excess surplus to rate payers. \$3,362,600

TOTAL NON-RECURRING ADJUSTMENTS **\$3,594,523**

**SUM OF RECURRING REDUCTIONS AND
NON-RECURRING ADJUSTMENTS:** **\$3,733,077**

Pool Utility

Cancel unused appropriations prior to the end of the fiscal year. \$15,000

**SUM OF RECURRING REDUCTIONS AND
NON-RECURRING ADJUSTMENTS: \$56,820**

INTRODUCTION

The Local Government Budget Review completed at the request of the governing body of the Township of Morris considered the level of service, the funding sources for each service and the manner in which services are provided. The intent of the review was to identify opportunities to reduce the overall cost of the local government and improve the value of the expenditures that are made on behalf of the public.

The Morris Township review is one of five reviews occurring in the same geographic area. The other reviews being conducted, also at the request of their respective governing bodies, are the Borough of Morris Plains, the Town of Morristown, the Morris School District and the Morris Plains Elementary School District.

Each review and the resulting report is unique. There is a different form of government and significant differences in the organizational structure of the three municipalities. Many of the issues identified by the review team were different in each municipality. Where similar issues exist, particularly when there is an opportunity for a cost effective solution based upon cooperation, the mutual advantages are shared in the body of the report presented to each agency.

The opportunity to complete three reviews in contiguous municipalities permitted the review team to expand the focus on opportunities for cost reduction through enhanced sharing and cooperation. As a result, each report contains a special section dedicated to identifying areas where services can be improved or the cost of government can be reduced through greater inter-governmental cooperation.

In each report care has been taken to frame the debate on the identified issues and measure the potential savings rather than attempt to dictate any particular solution or strategy. The decision to implement specific decisions or a decision to pursue greater cooperation is a matter most appropriately addressed by the local governing bodies.

In the interest of transcending the differences in the organizational structures of the local governments, the review team members were assigned to analyze similar functions in each municipality. The four primary groupings included the public safety function, the public works function, the health and human services function and the support service functions. Utility enterprise funds were addressed separately.

Where possible, the potential fiscal impact of a recommended change is provided. Recurring and non-recurring changes are identified separately. The purpose of the fiscal impact statements is to provide the citizens and the governing body with an indication of the magnitude of a proposed change. This can be useful as the governing body begins to establish its priorities for action. To suggest that all of the changes can be made at once, or even within one budget year is simply not reasonable. Some changes are predicated upon modifications to the existing collective bargaining agreements while others will take an extended period of time to implement.

The review team found the governing body and the staff to be cooperative during the course of the fieldwork. To publicly request and openly accept close scrutiny of the existing operation reflects their commitment to the public they serve. The review team would like to recognize and thank the staff and the governing body for their cooperation during the process and for the courage to seek opportunities for constructive change.

SECTION ONE

THE BEST PRACTICES OF MORRIS TOWNSHIP

Accreditation of the Morris Township Police Department

The Morris Township Police Department is one of a small group of municipal police departments in New Jersey that has chosen to pursue accreditation from the Commission on Accreditation of Law Enforcement Agencies. It is part of an even smaller group that has been fully accredited.

The act of becoming accredited may be anticlimactic to the process of going through the self evaluation, learning process and improvements required to meet the accreditation standards. The utilization of well developed measures of performance, based on national experience, helps to focus the department's personnel on the objective of meeting or exceeding the highest standards for the delivery of local police services.

Volunteerism, Volunteer Recognition and Volunteer Incentives

The extent to which residents of the community volunteer to assist with special events or ongoing programs and the extent to which the township makes effective use of these special people is noteworthy. Volunteers who were interviewed alluded to a strong sense of civic pride and an equally strong sense of civic duty. The municipality allocates a small sum of money every year for various volunteer appreciation and recognition programs. The money spent on the recognition of volunteers pales against the cost the township would incur if it had paid for the services rendered by the volunteers.

The "Unsung Heroes" volunteer recognition project is particularly noteworthy for two reasons. First, it is a cooperative effort between Morristown, Morris Township and a private sector firm doing business in the community. Second, it seeks to highlight and thank those people who have made significant contributions to their community yet seek no reward or recognition for their efforts. This program is clearly a best practice deserving to be duplicated by communities throughout New Jersey.

It should be no surprise that since Morris Township has benefited tremendously from the gift of volunteerism there are specific efforts being made to reward and attract volunteers, particularly volunteer firefighters. To that end, Morris Township provides free pool passes to active volunteer firefighters. In the Pool Utility Fund section of this report recommendations are made regarding the operation and financial stability of the township's Pool Enterprise Fund. Notwithstanding the issues raised in that section, the incentive provided to the firefighters is noteworthy and it should be continued. The relatively small amount of lost income resulting from the gift of pool passes to volunteer

fire fighters will not significantly affect the long term financial stability of the pool utility fund. In this case the benefit clearly outweighs the cost.

Leadership Morris Shared Services Project

While not a program conducted by the municipality itself, the Leadership Morris Shared Services Project has the potential to facilitate cooperation between governments and accelerate a reduction in the cost of government and improvements in the value of governmental expenditures.

A remarkably consistent theme found in case studies of successful cooperative ventures has been the existence of a third party facilitator. The efforts of Leadership Morris to provide information and facilitate constructive communication through efforts such as its Shared Services Survey and its Shared Services Symposium is clearly a best practice deserving recognition and duplication elsewhere.

The Black Meadows Regional Cooperative

The purchase of major pieces of equipment used by fire fighters is extremely costly. Decisions to make a major purchase can become a practical and budgetary challenge. In one sense it can appear to be unwise given the limited use the equipment will get. On the other hand, staff and elected officials are often concerned that failure to provide such equipment could put citizens or volunteers in harms way.

The practical reality is probably somewhere in between these two extreme positions. Specialized equipment will someday be needed in most communities, but it won't be needed very often. The Black Meadows Regional Cooperative is a group of fire departments in Morris County that have developed a practical approach to the problem outline above.

These agencies work to eliminate unnecessary duplication and redundancy in the purchase of major capital equipment. If one agency has a specialized piece of equipment it is made available to the other members of the cooperative. The capital purchases made by a town on behalf of their fire units tend to correlate to a specialty developed by that fire unit on behalf of the Black Meadows Cooperative.

Given the tremendous number of fire districts and fire departments in New Jersey the chance to reduce capital costs while continuing to provide quality fire and emergency rescue services through enhanced cooperation is clearly a best practices deserving wide recognition and even broader acceptance throughout the State.

SECTION TWO:

LOCAL RECOMMENDATIONS

BUDGETING AND PURCHASING

Purchasing Practices

The township has recently made the transition to an automated purchase order and voucher system that, if used properly, can be very useful in eliminating procedural issues identified by members of the review team. Prior to the advent of the computerized purchase order system there were an excessive number of “confirming” and “after-the-fact” purchases orders generated by the line departments. The team found no indication of misuse of public funds. During interviews and discussions with staff members the team heard several comments suggesting a significant frustration with for commonly accepted and statutorily required purchasing procedures. This attitude could ultimately lead to a loss of accountability and competitiveness which in turn could lead to paying more than is necessary for a product or service.

The use of confirming purchase orders on a regular basis frequently indicates a preference to a given vendor rather than a continuing effort to shop the market place for the best possible price on behalf of the taxpayers. Neither State statutes or sound business practices permit selection of a vendor for any reason other than the best value obtained for the dollars being spent.

It is recommended (# 1) that stringent controls and procedures be established to ensure that all departments document price quotes from vendors and that purchase orders be prepared and approved before any good or service is obtained.

The township staff must take full advantage of the competitive market on behalf of the taxpayers. In special situations it may be advisable to establish a limited number of “open purchase orders.” When this is done a maximum amount per purchase, a total amount per open purchase order and an automatic closing date should be established. For the purpose of ensuring a regular review of open purchase orders and to establish a clear record **it is recommended (# 2) the Township Committee adopt a resolution containing the information suggested above authorizing the open purchase order.**

Budgeting Practices

The unrestricted fund balance of the township grew significantly over a six year period as a result of the combined impact of four budget practices. The four practices were over-estimating appropriations, consistently under-estimating non-tax revenues, routinely

under-estimating the tax collection rate, and unnecessarily budgeting a portion of the unrestricted fund balance.

Actual versus Projected Expenditures. For fiscal year 1990 the sum of all annual and reserve appropriation expenditures was \$401,318 less than the amount budgeted. By fiscal year 1995 the difference between the appropriations approved in the budget and the amount spent had grown to approximately \$1,046,135. This pattern is contrary to what has been found in other municipalities where the pressure to reduce the tax rate has forced agencies into budget plans in which the difference between budgeted and actual expenditures has become exceptionally small.

In 1995 if the amount budgeted in excess of the actual expenditures had been only 20 percent, i.e., the total authorized appropriations had been lower while actual expenses remained the same, the burden on the taxpayers could have been reduced by approximately \$836,900 or about three cents per \$100 valuation. It could be argued that it is a breach of the public trust to consistently budget significantly more than is needed.

During the course of the interviews the desire to develop an incentive system for minimizing expenses was expressed. The concern was also expressed that public budgeting practices tend to penalize the most efficient. Given the difference between actual and budgeted expenses it would be difficult to delineate between an efficient or an over-budgeted operation. Nevertheless, the concept of an incentive system clearly has merit. **It is recommended (# 3) that consideration be given to recognizing those departments that significantly reduce the unit price of goods purchased as a result of maximum use of the proper purchasing procedures.**

It is also recommended (# 4) that consideration be given to recognizing those departments that meet or exceed established measures of productivity. These measures are normally gathered during the year which permits the township to promptly recognize those who have succeeded.

Appropriation Reserves. Focusing a reward system on reductions in unit prices and measures of productivity rather than the year end balance will permit the Township Committee to address the issue of unused appropriation reserves that lay dormant for one year before lapsing into the unrestricted surplus of the municipality.

At the end of 1991 approximately 22 percent of the 1990 appropriation reserve lapsed, unspent, into the unrestricted fund balance of the township. Between 1992 and 1995 the lapsed reserve appropriations ranged from a low of 49 percent to a high of 71.6 percent. Given the limited use of the appropriation reserves, it would be in the best interest of the taxpayers to put their money back to work as soon as possible by canceling a portion of the unspent appropriations. Had the committee done this at the end of 1993, the last year for which audited appropriation reserve data was available, approximately \$509,624 would have been returned to the unrestricted fund balance one year earlier. This was roughly equivalent to 1.85 cents per \$100 assessed valuation in 1994.

It is recommended (# 5) that the Township Committee address the lag in the lapse of appropriation reserves every year by directing the executive staff to submit a proposed resolution no later than December 15th canceling unused appropriation balances for which there are no encumbrances and no anticipated liability.

An accelerated increase in the unrestricted surplus resulting from the cancellation of appropriations will occur only once. Nevertheless, the practice of canceling unused appropriations at the end of every fiscal year will continue to be a sound practice for the trustees of the public funds.

Actual versus Projected Revenues In four out of the six years that were analyzed the operating revenues, which do not include the budgeted surplus and non-recurring revenues, exceeded the total amount of revenue budgeted. The fact that a portion of the surplus and non-recurring revenues were included in the annual projections only served to increase the difference between the amount projected in the budget and the total amount collected. In 1990 the total revenue collected exceeded the amount budgeted by approximately 1.5 percent whereas by 1995 the difference had grown to more than 12.5 percent.

**A COMPARISON OF OPERATING REVENUE, TOTAL REVENUE AND
BUDGETED REVENUE**

	1990	1991	1992	1993	1994	1995
Oper. Revenue	\$14,681,613	\$15,974,702	\$17,604,453	\$19,421,908	\$19,843,264	\$20,542,811
Total Revenue	\$15,872,254	\$16,686,382	\$18,366,966	\$20,462,625	\$21,695,123	\$22,982,811
Bud. Revenue	\$15,634,229	\$15,958,736	\$17,396,183	\$18,482,944	\$20,139,508	\$20,415,993

The difference between the amount of revenue being budgeted and revenues actually being collected has been driven by factors within the control of the local governing body. Local non-tax revenue sources such as interest income, licenses, fees and permits were consistently understated in the six years analyzed. If the revenues estimates had been developed so that the amounts actually collected exceeded the projection by only six percent, it would have been possible to lower the municipal tax rate by as much as 4.5 cents per \$100 of assessed valuation.

It is recommended (# 6) that in future budget deliberations more attention be given to optimizing annual non-tax revenue estimates through the use of more accurate projections in the interest of minimizing the municipal tax rate.

Comparing Revenues to Expenses. The appendix contains a chart titled “Three Comparisons of Revenues to Expenditures.” Unlike the analysis of projected and collected revenues or authorized and actual expenses, this chart compares actual expenses with actual revenues. This chart address the results of the budget year rather than the ability to plan or budget effectively. In five out of the six years operating revenues alone exceeded both operating expenses and total expenses. When total revenues are compared to total expenses the annual surplus ranged from \$607,876 in 1990 to \$3,612,952 in 1995.

The Use of the Unrestricted Fund Balance. During the six year period analyzed by the review team, a portion of the unrestricted fund balance was listed as a revenue in the budget every year. The need to budget a portion of the surplus in order to adopt a balanced budget appears to have been generated by exceptionally conservative estimates of the operating revenues described above. At the end of the four years when the operating revenues exceeded total expenditures the budgeted surplus was never needed. At the end of the fiscal year it lapsed back into the unrestricted fund balance.

As a result of under-estimating operating revenues, appropriating surplus unnecessarily and at the same time budgeting more than was actually spent, the township’s unrestricted fund balance grew from \$1,019,206 at the beginning of 1990 to approximately \$4,413,844 at the beginning of 1996. The beginning fund balance in 1996 represents approximately 24 percent of the total expenditure in 1995.

It is not uncommon for a municipality to increase its unrestricted surplus through the methods described above in anticipation of a major capital project or in anticipation of an increase in the existing debt service obligations. Based upon responses provided during the interviews and analysis of the adopted capital improvement plans neither of these appear to be the case in Morris Township. The principal and interest payments for the existing debt to be underwritten by the taxpayers shows a marginal decline in 1996 and 1997 followed by annual decreases of approximately \$60,000 per year in the next three years. The final payment in the year 2004 is \$15,975.

It is recommended (# 7) that the amount of the taxpayers money held as an unrestricted surplus be reduced by implementing one or more of the following options:

A. If approximately 50 percent of the existing unrestricted fund balance was returned to the taxpayers through a tax rate reduction the Township Committee could **lower the municipal tax rate** by another eight cents per \$100 valuation.

B. Appropriate a portion of the unrestricted fund balance to a Debt Service Reserve Fund in accordance with NJSA 40A:2-64.

C. Obtain support for legislation permitting a municipality to establish a **reserve for “Accrued & Unfunded Liabilities.”** As individuals retire payments for unused sick leave and vacation would be paid out of this account rather than out of the annual operating budget. This would permit the township to avoid unusual budget variations due to retirement payments.

The amount of surplus to be retained by a local government is clearly a matter of local discretion. In comparison, school districts in New Jersey are not permitted to retain more than the amount equal to seven percent of their operating budget. Unlike municipalities, schools do not have the authority to approve emergency appropriations to address unforeseen expenditures. Given that municipal governments have this power, a strong argument can be made their need for a large surplus is less than that of a school district.

There are a host of fiscally responsible municipalities that maintain little or no unrestricted fund balance. Given the sound condition of Morris Township facilities, the history of no over-expenditures or emergency appropriations and the availability of other methods to address unanticipated financial emergencies it is possible for the Township Committee to set a low ceiling for the unrestricted surplus.

The Reserve for Uncollected Taxes. Appendix One contains a summary of the projected and actual tax collection rates in Morris Township between 1990 and 1995. In 1991, 1992 and 1993 the projected tax collection rate used in the preparation of the annual budget was very close to the actual collection rate of the preceding year. In 1994, 1995 and 1996 the difference between the actual and projected collected rate grew to over two percent.

The magnitude of the difference between projected and actual collection rates, and the resulting impact on the taxpayers, is reflected in the annual “Reserve for Uncollected Taxes.” The size of the difference between the projected and actual collection rate is directly proportional to the size of the reserve that is collected.

In 1995 the township chose to project the tax collection rate at 95.5 percent. The actual collection rate for the year was 97.82 percent. As a result, the reserve for uncollected taxes was approximately 970,362 larger than it needed to be. This is roughly equivalent to 3.44 cents on the municipal tax rate. **It is recommended (# 8) that the difference in the projected collection rate and the actual collection rate for the preceding year be limited to a maximum of one percent.** If the 1996 reserve for uncollected taxes had been computed based upon this recommendation the projected collection rate would have been 96.82 percent. The reserve for uncollected taxes would have been approximately \$621,600 lower which would have resulted in a 2.21 cent reduction in the municipal tax rate.

The Use of Special and Reserve Accounts

The township maintains seven special funds that are summarized in the Trust Fund schedules of the audit. The developer escrow accounts, which are discussed in another section of this report, are part of this group. The remaining six accounts are the unemployment insurance fund, the off-duty police services account, the recycling reserve, the account for disposal of forfeited property, the parking offense adjudication act account and the municipal alliance for prevention of drug and alcohol abuse.

When police officers work off-duty assignments such as controlling the flow of traffic around a road construction site, the Township bills the contractor a fixed amount per hour including an administrative charge for scheduling the officer, invoicing the contractor and paying the officer. Revenues received from these invoices are placed in a special or dedicated fund. The police services account is used for this purpose in Morris Township.

At the beginning of 1994 the fund balance in the account was approximately \$67,002. During the year revenues exceeded expenses. There were disbursements of approximately \$63,057 and revenues totaling approximately \$64,696. The year end fund balance was \$68,641. The beginning and ending fund balance was roughly the same.

Maintaining a small fund balance is necessary to ensure a satisfactory cash flow. Based upon the activity reported for 1994 the average monthly disbursement is approximately \$5,255. **It is recommended (# 9) that all funds in excess of the annual average of two months activity automatically be transferred to the unrestricted fund balance of the township.** In all likelihood the balance has grown as a result of interest income and overhead charged for off duty services. Now that the fund is operating satisfactorily the fund balance can be kept to a minimum. Implementation of the proposed recommendation would increase the unrestricted fund balance by approximately \$58,130.

A similar pattern exists within the recycling account in that the beginning and ending balance are similar. In this case the annual income and disbursements exceeded the fund balance. The primary sources of income are interest, the sale of recyclables and the annual recycling tonnage grant. The primary disbursements appear to be for wages, salaries and other expenses associated with the pick-up of recyclables. The year end balance on December 31, 1994 was approximately \$31,717.

Neither the revenues received by the township or the expenses charged to this special account are listed in the annual operating budget. They are "off budget" transactions. The cost of public works services being provided by the municipal crews as, indicated by the budget, is understated and the receipt of non-tax revenue is also understated.

It is recommended (# 10) that the revenues listed in the annual budget show an amount to be transferred out of the recycling account and that the comparable expenses be included in the public works budget of the township. Bringing these appropriations into the budget will not have any impact on the municipal tax rate. It will,

however, provide the Township Committee, the staff and the public a more complete assessment or statement of the cost of public works services.

THE SUPPORT SERVICE FUNCTIONS

For the most part, the clients of the support service functions are the employees of the line departments who serve the public. While not as publicly visible, the importance of the staff functions such as risk management, banking, purchasing and payroll should not be understated. Morris Township has an opportunity to elevate the quality of its support functions to a level even higher than the level that already exists.

Banking and Interest Income

Prior to the advent of electronic banking methods and the use of computers, the maintenance of multiple bank accounts may have been an integral part of an effective internal control system. Today, the need to maintain strong internal controls and complete audit trails is just as important, however it is no longer necessary to utilize numerous bank accounts to accomplish this.

The review team found that the Township of Morris was maintaining approximately 27 bank accounts and 14 savings accounts. These totals do not include the developer escrow accounts resulting from applications submitted to the Planning Board or the Zoning Board of Adjustment.

Given the existence of sub-account control methods, “sweep accounts” and other modern banking methods **it is recommended (# 11) that the Finance Officer reduce the number of bank accounts as much as possible.** If the number of accounts was cut in half, the time saved on the monthly reconciliation process would be significant, the banking fees paid by the township would be reduced and there would be an opportunity to increase the interest income earned every year. **It is also recommended (# 12) that the township establish an account within the New Jersey Cash Management Fund.** Governmental agencies have found this to be an effective tool when they wish to obtain significant interest income while maintaining a high degree of liquidity without penalty.

It should be noted that the interest income earned on behalf of the taxpayers has improved significantly since 1990. This income, which the audits show to be underestimated in every budget by a very wide margin, ranged from a low of \$112,150 in 1991 to a high of \$412,999 in 1994. This growth in non-tax revenue could be enhanced even more if all of the township’s accounts were earning interest.

The review team analyzed thirteen accounts for a twelve month period beginning in October 1994. Seven of the accounts earned no interest income at all. They were the Treasurer’s Account, the Sewer Operating Account, the Capital Account, the Sewer Capital Account, the Municipal Swimming Pool Account, the Public Assistance Trust Fund I Account and the Public Assistance Trust Fund II Account. Had these accounts earned interest at the rate earned in the New Jersey Cash Management Fund for the same twelve month period the township would have netted an additional \$164,426.

Approximately \$118,647 would have been received by current fund accounts while the rest would have gone into the sewer utility fund, the pool utility fund or restricted accounts maintained by the township.

**SUMMARY OF BANK ACCOUNTS EARNING NO INTEREST
October, 1994 - September, 1995**

<u>Account Name</u>	<u>Level of Activity</u>	<u>Average Daily Balance</u>	<u>Potential Rate</u>	<u>Potential Interest</u>
Treasurer's Account	high	\$2,254,218	4.83%	\$108,879
Sewer Operating	high	\$ 774,929	4.83%	\$ 37,429
Capital Account	low	\$ 178,573	5.47%	\$ 9,768
Sewer Capital	low	\$ 51,630	5.47%	\$ 2,824
Mun. Swim. Pool	moderate	\$ 44,950	5.47%	\$ 2,459
PATF I	low	\$ 36,683	5.47%	\$ 2,007
PATF II	low	\$ 19,382	5.47%	\$ 1,060
TOTAL				\$164,426

It is recommended (# 13) that all accounts not currently earning interest be eliminated and replaced with accounts earning competitive interest rates. The interest rates on the Morris Township accounts do not compare favorably with the New Jersey Cash Management Fund, which is generally considered to be a conservative fund.

If the interest earned on the six remaining municipal accounts had been equivalent to the rates of the New Jersey Cash Management Fund the Township would have received an additional \$35,380 in non-tax revenue.

In addition to the general recommendation to consolidate bank accounts, special consideration should be given to three groups of accounts. First, the payroll account earns no interest in lieu of having the payroll service fees paid by the bank. This type of "compensating balance" arrangement deserves close scrutiny every year to determine whether the elimination of the payroll charges is less than or greater than the lost interest income. A key component to this assessment should be the "Customer Profitability Analysis" or the "Customer Account Analysis" done by banks on their accounts.

The need to evaluate the compensating balance agreement will become particularly important when changes are made in the payroll process that will reduce the fees as recommended in the next section of this report. Accordingly, **it is recommended (# 14) that prior to renewal of all compensating balance bank account agreements competitive proposals be solicited from all of the banks in the area.** An assessment of each proposal can then be completed to ascertain the cost or the benefit to the township and their taxpayers.

In addition, **it is recommended (# 15) that consideration be given to establishing the payroll account as a “zero balance account.”** As payroll checks are cashed the amount needed to cover these transactions can be drawn directly from the appropriate current fund or utility fund operating account. Establishing a zero balance payroll account would permit the Finance Officer to transfer the existing account balance into the unrestricted surplus.

Second, schedule G-3 of the audit for the year ending December 31, 1994 shows that there was no activity in the Public Assistance Trust Fund I (PATF I) account other than one small interfund transfer. Audits for the five prior years reflect similar low levels of activity. On January 1, 1990 the PATF I balance was approximately \$17,028. By January 1, 1995 the balance had increased to \$58,414.

When the welfare payment process changed in the early 1990s the PATF I accounts remained open to receive the final set of reimbursements from the State. The audits for 1990 through 1993 show State reimbursements totaling amount of \$103,721. In addition, the audits for 1990 and 1991 show local budget appropriations totaling \$52,500. Leaving these local funds in the PATF I accounts unnecessarily restricts their use.

It is recommended (# 16) the township solicit the permission of the New Jersey Department of Human Services to reduce the balance in the PATF I account by moving a portion of the balance to the unrestricted surplus of the township. The average daily balance was \$36,683 for the twelve month period ending in September, 1995. If 80 percent of the average daily balance in the PATF I account was transferred to the unrestricted surplus the township would regain the use of approximately \$29,346.

The third group of accounts deserving special attention are the developer escrow accounts. The burden of maintaining accurate records of deposits made by developers, disbursements paid out of those accounts and the allocation of interest income belongs to the municipality. The consolidated total in the developers escrow fund has been rising steadily over the last five years. At the end of 1994 the account balance was approximately \$837,192.

Many New Jersey banks have developed specialized programs to manage these escrow accounts. This alleviates much of the work that must be done by the board secretaries, appointed professionals and the municipal finance staff. **It is recommended (# 17) that a special banking contract be established for all developer escrow accounts.** The costs associated with these special programs are normally no different than the costs associated with other types of bank accounts. **It is further recommended (# 18) that the interest income due to the township be transferred into township accounts on a regularly scheduled basis.**

Payroll Procedures

The Township of Morris is one of the few municipalities continuing to operate a weekly payroll system. While there appears to be little objection to changing to a biweekly payroll from a large majority of employees, the transition was reported to have been stalled by opposition from the local chapter of the Police Benevolent Association. The fees being charged to the township for the weekly payroll service are approximately \$18,000 per year.

The rapid turn-around of payroll documents caused by the weekly system requires one employee to spend at least three work days every week on payroll matters. The personnel cost to complete the payroll tasks is at least \$23,780 per year. This system is inefficient and ineffective.

It is recommended (# 19) that the township immediately move all employees except the members of the PBA to a biweekly payroll and limit the remaining weekly payroll to that which the township is contractually obligated. This should be nothing more than the base pay of the officers in the PBA. All other forms of compensation due to an officer can be paid as part of the biweekly payroll. Changing to a biweekly payroll would save the township taxpayers at least \$7,200 in payroll fees while significantly reducing the staff time consumed on what should be a simple, routine task.

Tax and Sewer Billing Procedures

The tax collection staff consists of the tax collector, one assistant and two clerks. In addition to tax bills, this staff sends out sewer bills and collects the resulting payments. With the exception of a small number of industrial accounts, sewer bills are based on a flat fee which makes the job of preparing and mailing the bills relatively quick and easy.

It is recommended (# 20) that when a vacancy occurs as a result of a resignation or retirement the position should remain vacant indefinitely, if not permanently. The recurring savings to the taxpayers would be approximately \$16,000 per year. The sewer utility rate payers would also benefit from a \$16,000 reduction in the sewer utility fund administrative expenses. Short term assistance during periods of high activity occurring on payment due dates would be available if the proposed changes in the payroll process are implemented. Additional recommendations are made in the Sewer Utility Fund section of this report which would reduce the fluctuation in the work load for the staff and the cash flow for the sewer utility fund.

Delinquent Tax Accounts

The relatively high tax collection rates connote a strong ability to make timely payments. Nevertheless, the fact remains that at the end of 1995 more than \$1,000,000 in back taxes

was still owed to the township. This total remains in spite of a strong collection of delinquent taxes during the year.

The schedule of the value of property obtained through foreclosures provided in the audit has not changed over the last five years. It is incumbent upon the Township Committee to address the need to initiate and complete the foreclosure process promptly. The timely taxpayers deserve to have their tax burden stabilized if not lowered through aggressive action on all tax liens and foreclosures. **Accordingly, it is recommended (# 21) that the Township Committee direct counsel to initiate foreclosure proceedings on all eligible delinquent tax accounts immediately.**

Risk Management

During 1994 five police officers lost approximately 197 work days due to workers compensation claims. In the Public Works Department sixteen employees lost a total of 145 work days. Three cases consumed 106 of these days. Eighty-three other work days were lost by employees of other departments. The total wages paid to employees in a non-work status was at least \$65,958. Seventy percent was paid by the workers compensation insurance carrier while the Township paid \$14,800 out of its budget.

The \$14,800 out-of-pocket expense belies the true cost of the workers compensation cases. The cost of workers compensation insurance charged to the current fund in 1995 was \$30,069 greater than the amount charged in 1994 premium. This represented a 16.5 percent increase. The workers compensation insurance premium has nearly doubled since 1990 when the expense was \$121,900. A portion of the premium increase may be attributable to inflation and other market factors. To be sure, the single largest factor is the adverse safety and claims record of the township.

The injury rate in any one year will affect the rate structure for at least the next three years. Based upon responses to interview questions and observations by members of the budget review team, there appears to be no substantive local safety program, nor are supervisors held accountable for the unsafe actions of their employees. In 1994 there were eight back injuries, eight knee injuries and eleven other twists or sprains. There appears to have been little or no follow-up to determine whether these injuries occurred as a result of unsafe procedures on the part of the employee or whether the injuries were accidents in the line of duty that could not have been prevented. **It is recommended (# 22) that the township aggressively pursue the following:**

A. **Establish a formal, on-going safety program** directed by a designated township safety officer. It is not uncommon to find that the task of managing the safety program for a municipality is a collateral duty of a senior police officer. Worker safety is a local matter and a local responsibility notwithstanding any cooperative or joint insurance arrangements that may exist.

B. **Eliminate the current practice of automatically paying full wages** unless the safety officer has made a specific finding based upon an investigation that the employee was injured in the line of duty and that the employee was not at fault, i.e. all safety procedures were followed and all safety equipment was worn, etc. If an employee is partially or wholly at fault then there must be a question as to why the township should continue to supplement the workers compensation payments received by the employee.

C. In cases where it has been determined that the employee was injured in the line of duty and was not at fault, **require the formal approval of the Township Committee to make wage continuation payments for a specified period of time.** Under the existing system there is no financial incentive for an employee to return to work.

D. **Hold all supervisors directly accountable for the well being and safety of their personnel.** Permitting an employee to follow unsafe practices is just as serious, if not more serious than the injury that occurs to the employee.

Because of the three year impact of claims on premiums the township may not see the benefit of a successful safety program in its insurance budget for several years. It should see a quicker financial benefit through a reduction in wages paid to employees out of work, a reduction in the overtime paid to cover their absences and an increase in productivity from a reduction in lost work days .

Condominium Assessments

The Condominium Services Act established new guidelines for the provision of municipal services for condominiums. In effect this act made condominium owners full partners in the municipal process. Prior to the adoption of the act many tax assessors took into consideration the reduced level of services being provided when determining the market value of condominiums.

The extent to which this occurred in Morris Township and the extent to which appropriate adjustments have been made since the expansion of services to condominiums is an appropriate concern of the Township Committee. The independence and autonomy of the assessor does not preclude the committee from asking questions pertaining to local policies and procedures. Accordingly, **it is recommended (# 23) the Township Committee request the assessor provide a summary of the assessment procedures and changes in the assessed value of condominium properties over the last five years.**

Records Retention and Management

In one sense Morris Township is very fortunate to have had long term stability within the Office of the Municipal Clerk. In the relatively near future this could turn into a large and difficult problem for the township. When the current staff leaves the existing corporate memory will leave with them.

As recommended by the staff itself, it would be highly beneficial to improve the accessibility and utility of the existing records through an automated records management process. Keyword searches and other sophisticated techniques accessing scanned documents can accomplish this. In addition, the practical matter of drastically reducing storage requirements cannot be overlooked.

The Township of Middletown and the Borough of Atlantic Highlands recently entered into an interlocal agreement that addresses this problem in a cost effective manner for their taxpayers. What appeared to have been a prohibitive cost for the purchase of the hardware and software by Middletown to scan and electronically save millions of documents has been mitigated by their decision to lease access to the scanning equipment to Atlantic Highlands.

It is recommended (# 24) the township address the growing problem of records retention and management of historical information in a manner that will maximize their use and value while minimizing the cost to the taxpayer.

It may not be necessary to purchase scanning equipment if the hardware and software used in the Morris School District school attendance program can be used on the municipal documents.

Additional MIS Opportunities

The decision to hire a network administrator, who is really functioning as a systems administrator, is a clear indication of the township's commitment to making optimal use of its automated capabilities. The report submitted by the New Jersey Institute of Technology, Center for Information Age Technology in 1993 and the township's subsequent report by its own Computer Steering Committee in January, 1994 outline many of the technological issues and potential solutions for the township to consider. **The following supplemental recommendations (# 25) are offered:**

A. Schedule additional training in the use of the existing hardware and software systems. It may be necessary to temporarily close an office to make the "classroom" the work place of the employees to ensure the training is applicable to their work. Review teams have consistently found an unwillingness to spend the time and effort to properly train staff to ensure optimal use of the purchased hardware and software.

B. Make the integration of the support functions within the municipal building a high priority. For example, an automated receipt issued in the Office of the Municipal Clerk should generate an automatic entry on a daily cash collection report generated in the Finance Office; the automated issuance of a building or demolition permit should generate an entry in an activity report for the tax assessor; or, absenteeism due to vacation, sick leave, workers compensation, off-site training, off-site assignment or disciplinary reasons should be electronically reported to a master file containing these records.

C. Develop a consolidated MIS staff in conjunction with the Morris School District and other agencies interested in participating. This does not automatically mean that all hardware and software must be uniform or even compatible. It does mean that each agency may be able to take advantage of enhanced buying power, the varied expertise of their respective staff members and the natural communication and cooperation that would presumably develop.

Consolidation of Planning and Zoning Functions

Consolidated planning and zoning boards are fairly common in municipalities throughout the nation. In some states these functions automatically fall under one umbrella. Both boards have the common purpose of ensuring the land uses of the township are consistent with local ordinances and State statutes.

State statutes have already been amended to permit consolidation of these boards in smaller jurisdictions. Consideration is being given to amending the statutes to expand the parameters under which consolidation can take place. Should such an amendment be adopted **it is recommended (# 26) that the planning and zoning boards be consolidated.** In addition to enhanced continuity the opportunity to reduce annual expenditures by the elimination of at least two professional service appointments could be significant.

Another alternative already permitted would be to pursue the consolidation of the Morris Township, Morris Plains and Morristown Planning Boards into one regional body. The unique characteristics of each land use ordinance can be incorporated into a consolidated land use ordinance. The interaction and relationships between communities is similar to that which exists between Princeton Borough and Princeton Township. The historical concerns and considerations that become a factor in some Morristown planning and zoning issues are analogous to the historical concerns in Princeton. The Princeton Regional Planning Board has operated successfully for quite some time. The new regional planning area would match the service area of the high school of the Morris School District.

POLICE, FIRE AND MUNICIPAL COURT SERVICES

Police Department

The accreditation of the police department has been noted in the best practices section of this report. This accreditation does not preclude the opportunity to pursue additional improvements which can reduce the overall cost of the police department without adversely affecting the quality of the services being delivered.

Utilization of Civilian Personnel. A majority of the dispatchers are civilian personnel. Upon the retirement of the remaining patrol officer assigned to dispatching **it is recommended (# 27) that the vacancy be filled by a qualified civilian dispatcher.** When the administrative officer position becomes vacant, consideration should be given to eliminating it. If continuation of the position can be justified, then **it is recommended (# 28) that a civilian be hired to complete the administrative tasks** associated with the position. The utilization of civilian personnel in staff positions not requiring the training and certification of a police officer is becoming more common, effective and efficient. If both positions are retained the savings achieved through the use of civilian personnel would be approximately \$58,000 per year. If the administrative patrol position is eliminated the additional savings would be \$30,350.

Alternative Fuels and Maintenance for Patrol Cars. At the time this matter was being studied the difference in the cost of propane and gasoline was \$.21 per gallon. When the Police Department purchases a new patrol vehicle it costs approximately \$350 to complete the engine modifications to permit the use of propane fuels. Based on an average of 15 miles per gallon a vehicle would have to travel approximately 25,000 miles to recoup the cost of the conversion. As of September, 1995 the oldest patrol vehicles had between 75,550 and 77,275 miles on their odometers. They were due to go out of service between November, 1995 and July, 1996. Given no changes in the costs of either propane or gasoline, the savings over the life of each vehicle is between \$750 and \$1,000.

Had the patrol cars been operated using compressed natural gas (CNG) the savings in the fuel cost would have been approximately \$.42 per gallon. However the conversion cost could have been as high as \$4,000 per vehicle. In addition, the capital cost of a CNG refueling depot would also have to be considered.

This summary assessment does not take into consideration the practical matters of evaluating road performance although the review team heard no complaints about the performance of the propane fueled vehicles. Prior to abandoning the use of alternative fuels **it is recommended (# 29) that the Police Department, in conjunction with the township, consider one or more of the following:**

A. **Re-evaluate the relative costs of gasoline and propane** over a longer period of time to ascertain the average savings per gallon, and, refine the estimate of miles needed to recoup the conversion costs based upon actual miles per gallon.

B. **Determine whether a favorable economy of scale can be achieved by converting additional sedans and light trucks owned by the township to this alternative fuel.**

C. **Explore the feasibility of obtaining a favorable economy of scale through a cooperative venture with one or more companies** already utilizing alternative fuels in their vehicles.

D. **Re-evaluate the costs of establishing a CNG fueling depot, the cost of purchasing vehicles ready to use CNG and the current net costs of buying and installing CNG conversion kits.**

It would be in the best interest of the Police Department to delay any decision to return to using gasoline and it may be in the best interests of the township to convert their remaining vehicles to an alternative fuel. As more and more private corporations make the transition away from traditional fuels, the market place competition for the sale of products and services in the alternative fuel industries may generate ever greater savings.

Vehicle Maintenance. Directly related to the alternative fuel issue is the matter of vehicle maintenance. The Police Department had its own mechanic on staff for an extended period of time. Given the need to consolidate vehicle maintenance functions, which is more fully discussed in the public works section of this report, **it is recommended (# 30) that the Police Department cease all vehicle maintenance work and permanently eliminate the position of vehicle mechanic.** Elimination of this position should not adversely affect maintenance of the Police Department vehicles. Given the existence of good communication between the Police Department and the Public Works Department there is no reason to expect an increase in the “down time” of police vehicles due to preventive maintenance or repairs. Elimination of the position will save the Township and its taxpayers approximately \$53,725 in wages and benefits.

Both agencies already have mutual aid agreements. The certification of every police officer extends to all jurisdictions in the State. In a time of need a citizen or business person probably does not care which department was the first to come to their aid. Special requirements established in local ordinances are not likely to be the prime concern of the initial officer responding to an emergency call for service.

It is also recommended (# 31) that the overlapping response zones be expanded during designated times in the interest of reducing overtime demands within each department.

The Primary Causes of Police Overtime. Over the first ten months of 1995 the three largest causes of overtime were replacement of officers out due to illness (32 percent), the need to continue or complete investigations (26 percent) and court time (24 percent). If overtime hours for the first ten months are annualized, the department would incur a direct cost of \$69,930 plus approximately 1,200 hours in compensatory time off.

The average use of sick leave was higher in the police department than in any other municipal department. In the first eleven months of 1995 patrol officers averaged approximately 61 hours of sick leave or nearly eight standard work days. This is higher than what has been found in other municipalities studied by Local Government Budget Review Teams.

It is recommended (# 32) that when an officer has consumed more than 50 percent of the average sick leave for the preceding year that a letter from a physician be required for every absence lasting two or more days.

It is also recommended (# 33) that every officer be required to notify the Chief of Police in writing of all off duty work. Based upon the scheduling pattern used in the department, in certain situations an absence of two consecutive days could mean that an officer is away from the work place for as many as seven calendar days.

The review team noted some instances when officers were assigned overtime yet the number of officers on duty exceeded the department's own patrol staffing policy. In some cases there was a readily apparent reason for the need to have additional personnel on duty due to a special event or other legitimate reason. **It is recommended (# 34) the reasons for utilizing personnel in an overtime status and the process for calling officers in to work at an overtime rate be reviewed.** If the absence of an officer due to sick leave does not put the patrol division under a minimum number of personnel there may be no need to incur the overtime expense. **It is further recommended (# 35) that the road supervisor be counted in the minimum number of patrol personnel needed.** The role of a working supervisor does not preclude the officer from continuing to perform standard patrol functions during most of the shift.

The overtime resulting from court can be managed more effectively through use of time blocks in the court docket, scheduling cases during an officer's standard work shift, and utilizing one or two evenings per month for court sessions. These suggestions are developed more fully in the municipal court portion of this report.

Overall, a 50 percent reduction in the cost of overtime would save the taxpayers approximately \$35,000 and reduce the accrued compensatory time off.

Staffing Levels. Based upon the department's existing policy statement regarding the number of patrol officers needed per shift and the proposed change to twelve hours shifts, a very strong argument can be made that four patrol positions can be eliminated without reducing the level or the effectiveness of patrol services. This may be necessary to offset

the increase in the cost of police salaries and wages since 1990. In 1990 the total police salaries and wages was \$2,322,551. By the end of 1994 the total had reached \$2,869,976 which was a 23.6 percent increase. By comparison, the CPI-U for the metropolitan New York area increased by less than 17 percent over the same five year period. The rates of pay for 1995 remain unresolved.

Using a patrol squad size of five officers and four shifts, 20 officers would be required. There were 22 officers on the active scheduling rotation and two additional officers awaiting assignment. Based on an average cost of \$46,895 for the wages and benefits for a junior police officer, the township can reduce the Police Department payroll by approximately \$187,580 per year.

The senior staff of the department consists of the Chief, one Deputy Chief, two Captains and five Lieutenants. The Sergeants are the first line supervisors. In a department of 36 sworn officers there are four levels of management between a patrol officer and the Chief of Police. To reduce this redundancy, **it is recommended (# 36) that the Deputy Chief position be eliminated.** In the absence of the Chief the senior Captain can assume the command responsibilities of the Chief of Police. The annual savings would be approximately \$85,180 per year in wages and benefits.

Fire Department

In addition to responding to fire calls the members of the Morris Township Fire Department also serve as “first responders” for medical emergency calls. Twenty out of the 21 full-time personnel are qualified first responders. Three members of the staff also conduct the “life hazard” inspections required by the State fire subcode regulations.

The department staffs two fire stations twenty-four hours per day. Three stations are staffed for eight hours per day. On weekends volunteer fire fighters function as the primary drivers. In 1990 salaries and wages in the Fire Department totaled approximately \$927,000. During 1995 this expense had grown to \$1,317,189. The increase was among the largest of all the budget lines during the six year period studied by the review team. Expenditures for major capital items were limited due to the department’s participation in the Black Meadows Regional Cooperative discussed in the best practices section of this report.

Expanded Fire Safety Inspections. During the field work the review team learned that Morristown was considering an alternative method for providing fire subcode inspections. Given the existence of three trained and certified subcode inspectors in the township Fire Department, **it is recommended (# 37) that an inter-local agreement be adopted to provide fire subcode inspection services in Morristown.** All of the inspectors currently respond to fire calls even if they are in the midst of completing a fire subcode inspection. It can be argued that no location in Morristown would be any farther than the longest distances traveled by township fire fighters.

Vacation Scheduling. Other than overtime resulting from responses to emergency calls the largest cause of overtime is overlapping vacations. During the first 42 weeks of 1995 approximately \$52,555 had been paid in overtime. The total amount paid per week ranged from a low of \$109 to a high of \$4,137. In nine of the 42 weeks reviewed the overtime payments exceeded \$2,000. A spot-check of these weeks showed that members of the staff were on vacation. Given the size of the staff **it is recommended (# 38) that a more stringent effort be made to coordinate vacation schedules** to eliminate the need for as much overtime as possible. Given the total number of calls, and the nature of most calls, it does not appear to be necessary to have all rigs fully staffed at all times. A 50 percent reduction in overtime costs would yield an annual savings of approximately \$29,165.

Lunch Break Overtime. The current operating policies of the department stipulate that if a vehicle is not covered by an on-duty staff member then the vehicle driver must remain in the fire station during the lunch hour. This generates one hour of overtime and it eliminates the opportunity for a mid-day break by the employee. Given that five fire stations are staffed during the day it is probable that the appropriate number of fire fighters and the equipment needed for an initial response can be mustered without resorting to the lunch break overtime strategy. If the starting times for the lunch hour were staggered to begin at 11:00, 11:30, 12:30, 1:00 and 1:30 then the equipment in three stations would be fully staffed at all times.

It is recommended (# 39) that the policy of generating overtime through mandatory staffing of rigs during the lunch hour be eliminated. In the case of a major incident where additional personnel are needed the fire fighters can be called back from lunch and paid accordingly.

The Annual Cost of Fire Hydrants. Aside from the cost of salaries and wages the largest annual expense for the Fire Department is the fee paid for the use and maintenance of 493 fire hydrants. In 1995 the department paid approximately \$110,000. The annual costs vary depending upon the size of the water line feeding the hydrant. Hydrants on a four inch water main cost \$151.80 per year while the hydrants located on a 5.25" line cost \$227.80 per year. Fixed fees based upon the size of the connecting water line are used because the water drawn from a hydrant is not metered. In addition, the fee covers regular inspections and maintenance work.

An expenditure of \$110,000 is sufficient to purchase approximately 7,165,942 gallons of water. If the national norms for water consumption during fire suppression actions are applied to the record of calls answered in Morris Township then the Fire Department is responsible for 180,000 gallons consumed during structure fires; 25,000 more gallons during other fires and 100,000 gallons for hydrant flow tests for a total of approximately 305,000 gallons per year.

The department is using the equivalent of approximately 4.25 percent of the water for which it is being charged. **It is recommended (# 40) the township pursue a**

modification of the annual rent schedule for the fire hydrants in the community.

The township may want to offer to take over hydrant inspections and flushing as part of their proposal for a reduction in annual hydrant cost. A 50 percent reduction in the cost would result in a savings to the taxpayer of approximately \$55,000.

Accreditation Opportunities. The International Association of Fire Chiefs (IAFC) has developed a series of self assessment programs intended to assist a Fire Department seeking to improve itself. It would be beneficial to utilize these programs to identify additional opportunities to reduce costs without reducing services. **It is recommended (# 41) that the Fire Department actively pursue the IAFC programs to ensure continued improvements in the quality of the fire services being provided.**

Municipal Court

The Local Government Budget Review Program recognizes the separate authority and responsibility of the judicial branch of government. The comments and recommendations offered below are made in an effort to provide the governing body and the taxpayers with information on current and potential procedures of the municipal court. All recommendations are made with the knowledge that further review and approval will be required by the appropriate judiciary personnel.

The municipal court of Morris Township conducts three regular sessions per month. All of them occur during the normal day. Parking around the Township Hall is a major problem when court is in session. The fixed schedule of court sessions is a major cause of police overtime. In order to reduce the police overtime without adversely affecting the court docket, **it is recommended (# 42) the municipal court administrator and presiding judge consider implementing one or more of the following:**

A. **Schedule an evening session in lieu of one daytime session.** This will not necessarily mean that the court will incur overtime costs. The work day of court personnel can be adjusted on the days when an evening session is scheduled.

B. **Organize and schedule the court docket in two hour increments** in much the same manner that the Morristown court docket is scheduled. This should reduce the need for a police officer to remain in court for an extended period of time.

C. Subject to a reasonable time limit, **schedule all cases involving an officer sequentially on a date and at a time when the officer will be on duty.**

D. **Schedule an additional court date once a quarter.**

Delinquent Partial Payments. The municipal court of Morris Township experiences the same difficulty as most other municipal courts in the state in managing the partial payment of fines and fees assessed against convicted offenders. The total partial payments

outstanding was approximately \$326,400. Fortunately, not all of this is delinquent. The Borough of Keansburg was noted for its best practice of managing this difficult problem. The court administrator notifies the Police Department of delinquent accounts. The Police Department then assigns an appropriate number of personnel to find the offenders and bring them to court to resolve their delinquent obligation. **It is recommended (# 43) the Morris Township Court Administrator and Police Chief contact their counterparts in Keansburg to learn more about this technique and then implement it as required.**

Part-Time Health Benefits. The municipal prosecutor receives health insurance coverage through the township's group plan.. The township pays the \$6,776 premium every year. Given the fact that there are no other part time professionals receiving benefits from the township **it is recommended (# 44) that the Township Committee limit the total compensation to the amount listed in the municipal salary ordinance. The prosecutor then has the option of participating in the group health plan or receiving all of the compensation in the form of paid wages.**

PUBLIC WORKS SERVICES

Maintenance and Repair of Municipal Vehicles. Prior to the retirement of the mechanic working at the Police Department the municipality maintained three separate vehicle maintenance shops. The six public works mechanics maintain approximately 49 light vehicles and about the same number of heavy vehicles or equipment. One of the mechanics also does all of the welding work for the township. The Fire Department mechanic, who also doubles as a vehicle driver, maintains 10 pieces of fire apparatus and five passenger vehicles. The Police Department has 11 patrol vehicles and 5 other cars. Overall, the township owns 129 pieces of rolling stock -- an exceptionally large fleet when compared to other municipalities.

The total cost of salaries, wages, benefits and other expenses related to the maintenance and repair of vehicles was approximately \$716,776. The vehicle maintenance cost within the public works department alone was approximately \$549,459. When analyzed separately, it costs an average of \$6,261 per vehicle to maintain the Fire Department fleet, \$4,587 to maintain the Police Department vehicles, and \$5,606 to maintain the vehicles in the public works department. The average cost per vehicle in the Fire Department is comparable to fees charged by firms specializing in the maintenance of fire apparatus.

The major cost factor for the police vehicles is the salary and benefits paid to the department's mechanic. If the recommendation to integrate the maintenance of police vehicles into the public works maintenance cycle is implemented the revised average maintenance cost for the combined fleet of 114 vehicles would be just under \$5,000 per year.

If the six mechanics in public works are available for just 48 weeks per year due to vacation, illness, training, or other reasons that detract from productivity then 11,520 hours are available for vehicle maintenance and repair. Every one of the 114 public works and police vehicles could be allotted 101 hours per year for maintenance and repair. If every vehicle was scheduled for a four hour block of time for an oil change, lubrication and other preventive maintenance six times a year there would still be an average of 75 hours per vehicle available for repairs, overhauls and other projects.

Based on a review of randomly selected vehicle maintenance records it was clear to the review team members that the work performed did not consume anywhere near the 101 hours per vehicle that was available. This was true even in cases where there was "down time" waiting for parts. The team also noted that the individual vehicle maintenance records do not include the cost of parts and labor. As a result, it is impossible for the staff to readily determine the actual cost to maintain a vehicle for a year or over the life of the vehicle. The average age of the vehicles in the fleet is not high and the fleet is in excellent condition. Nevertheless, **it is recommended (# 45) that the cost of all labor, parts and contracted work be recorded in each vehicle maintenance record as the expense is incurred.**

It is also recommended (# 46) that all preventive maintenance information, which is kept separately, be included in the vehicle maintenance records. The team found that preventive maintenance schedules were up to date on all vehicles checked. To facilitate implementation of these two recommendations **it is recommended (# 47) that the Township purchase a fleet management software package** to streamline the record keeping process and ensure that complete cost data is captured.

As valuable as a fleet management software package may be, it is not likely to reduce the average maintenance cost per vehicle. Bids received by New Jersey municipalities for comprehensive fleet maintenance operations in the last year have averaged approximately \$2,000 per light vehicle and \$2,700 per heavy vehicle. If the township were to use these costs as a benchmark or ceiling for its vehicle maintenance costs, it would spend approximately \$132,300 on its heavy equipment and vehicles and \$130,000 on its light vehicles for a total of approximately \$262,300.

To achieve market costs for vehicle maintenance **it is recommended (# 48) the township pursue one or more of the following:**

A. Publish a bid for a comprehensive contract operation of its fleet maintenance and repair system. If the bid prices were consistent with what other municipalities have experienced the annual savings should be approximately \$368,400 per year. This savings is the difference between the average cost per vehicle within the township and the average cost per vehicle in bids submitted to other municipalities.

B. Reorganize and restructure its fleet maintenance system to achieve market place prices. Given the wages paid under the existing collective bargaining agreement at least three mechanic positions would have to be eliminated. The productivity of the remaining mechanics would have to increase tremendously.

C. Pursue a cooperative venture with adjoining towns and/or Morris County to establish a consolidated fleet maintenance shop under the direction of an experienced fleet maintenance director.

D. Reduce the size of the fleet. If the five passenger vehicles maintained by the Fire Department are included in this review, 30 vehicles would have to be removed from the fleet to achieve a 25 percent reduction. For every vehicle removed from the fleet the work load and maintenance cost will drop and the capital replacement costs would decrease by an average of \$15,000 per vehicle. The one time reduction in capital expense, which would not necessarily occur in one year, would be approximately \$450,000. The recurring savings in maintenance costs would be approximately \$150,000 per year.

E. Ensure that the mechanics time and costs of repair parts for vehicles used to support the sewer utility and pool utility are charged to the sewer utility fund. Eleven vehicles are assigned to the sewer utility. This represents eight percent of the fleet. They are a mix of heavy and light vehicles. At the current average cost of \$5,000 per

vehicle, the sewer utility fund should be charged approximately \$55,000 per year. This will not reduce the total maintenance costs but it will ensure that the taxpayer is not subsidizing part of the utility operation.

Refuse Collection. In 1994 township garbage trucks hauled approximately 7,831 tons to the transfer station. The refuse was collected along 16 routes over four days per week. The highest single day during the fourth quarter of 1994 was 47.5 tons. Based upon State and national averages this is roughly equivalent to 109 cubic yards of waste or only nine cubic yards over the capacity of the trucks used on the routes. On the vast majority of work days the tonnage collected is well below the capacity of the trucks. Based on the starting time of the work day and the average time that the emptied trucks leave the transfer station it takes an average of 6.8 hours to complete each route. Overall, the taxpayers are paying nearly 1.5 times more than their counterparts in surrounding communities for the pick-up and delivery of refuse.

The cost to collect and deliver garbage to the transfer station is approximately \$74.46 per ton in Morris Township whereas in Morris Plains the cost is approximately \$54 per ton. Part of the difference is due to the fact that the crews collect refuse for four days per week yet they work five days per week. Even when the salary and wage expense is adjusted to exclude the wages for the fifth work day, the township's cost per ton is still above market place rates.

To achieve market rates **it is recommended (# 49) the township set a target of approximately \$422,875 for the cost to pick up and deliver refuse.** This cost does not include tipping fees which must be paid by every municipality or private contractor. To achieve the proposed target at least \$160,142 in savings will have to be found. The township can pursue one of following options.

Option One. Competitively bid a contract for the private collection of refuse.

Option Two. Change the existing system by implementing one or more of the following:

A. **Revise the route structure** to a five day, 15 route; six day, 12 route or 6 day, 18 route system. If the six day, 12 route system was used it would be possible to pick up the refuse in the entire township using two trucks. This would have to be monitored closely to see how frequently the daily capacity is exceeded particularly as additional growth occurs in the township. The use of a six day cycle does not automatically mean the township must incur overtime costs. The work week for some members of the staff could be adjusted.

A change to a five day system entailing the use of 15 routes could be readily achieved using three trucks. Each route would have approximately 30 more stops than the existing routes currently have. There is no reason to expect there would be truck capacity problems or routine overtime to complete the longer routes.

The six day, 18 route system would be predicated on five work days lasting seven hours and one work day lasting 5 hours each week. This arrangement exists within current collective bargaining agreements and it is becoming more common as labor and management work to reduce costs without exacting a huge toll on the work force. This system would entail the use of three trucks and it would provide ample capacity for growth and expansion within the township. It is the least efficient of the three proposals but it would have the greatest ability to accept additional refuse without requiring revisions.

B. Reduce the staff to correspond to the number of routes used each day.

C. Eliminate at least three and possibly four garbage trucks from the fleet. Overall 23 vehicles are assigned to garbage and recycling. Eight of these are 25 cubic yard garbage trucks.

Recycling. A very large amount of material is removed from the waste stream through recycling in Morris Township. At the same time the township incurs a considerable cost to staff recycling pick-up routes four days per week. The personnel assigned to recycling also work a five day week.

During 1994 the township collected 2,553 tons of newspaper, magazines and cardboard; 1,129 tons of glass, tin, aluminum and plastic; 102 tons of white goods; assorted tires and metal boxes; 1,636 tons of grass clippings; 168 tons of brush and 409 tons of wood chips. Overall 5,997 tons of recyclables were picked up not including the tons of leaves collected each fall. **It is recommended (# 50) that the township reconsider the practice of collecting grass clippings and white goods.** Experts in the field of recycling and resource recovery state that grass clipping should be left on the lawns to serve as mulch. Similarly, those who replace a white good such as a stove or refrigerator can arrange to have the old unit removed. Elimination of these two components of the recycling program would reduce the municipal burden by approximately 29 percent of the tonnage collected.

In 1994 the total labor cost for refuse collection and recycling was approximately \$827,211. Approximately \$583,100 was attributable to refuse collection while approximately \$244,115 in labor costs was generated by the recycling program. Based upon the staff estimate that there are approximately 1,300 stops the average labor cost per recycling stop is roughly \$187 per year.

Alternatives exist to using municipal crews to pick up and haul recycled materials. If the fees charged by other public agencies or private firms is less than the sum of the actual labor cost and net tipping fees **it is recommended (# 51) that the township adopt an interlocal agreement with Morris County Municipal Utilities Authority to have all recycling picked up.** Implementation of this recommendation would permit the township to eliminate at least four recycling trailers and one recycling truck. It may then also be

possible to eliminate at least two of the dump trucks assigned to the garbage and recycling section. It also may be possible to transfer title to this equipment as part of an in-kind payment during the first year of the agreement. The net savings to be achieved will be dependent upon the contract that is negotiated as part of the inter-local agreement and the size of the reduction in the work force that takes place.

Park and Pool Maintenance. Under the present organizational structure park and pool maintenance personnel are part of the Recreation Department. **It is recommended (# 52) that all park and pool maintenance personnel be placed under the supervision of the Public Works Director.** This will permit greater flexibility in making work assignments and it will permit the recreation staff to focus on the administration and management of special events and ongoing programs. It may also permit more effective use of the maintenance vehicles and equipment. There are six major pieces of equipment and nine vehicles assigned to recreation.

HEALTH AND HUMAN SERVICES

Recreation Programming

The transfer of all park and pool maintenance personnel to the Public Works Department would shift approximately \$197,562 in salaries from the recreation budget to the public works budget. There is little argument that the provision of open spaces for independent recreation and leisure is a common governmental function. It has been traditionally supported through the public property tax. Every taxpayer has the opportunity to make use of these resources. The provision of ongoing recreation programs, leagues, classes, field trips, etc., is a fundamentally different issue.

By removing the park and pool maintenance function from the recreation budget the staff, the recreation committee and the Township Committee will have a much clearer measure of the administrative and program costs for recreation. With the exception of fees charged to teams participating in closed industrial leagues there are no other major revenues generated by the Recreation Department. This is due to the policy to provide recreation programs for free.

Based upon registration and attendance information provided to the review team not more than three percent of the population participates in the recreation programs yet 100 percent of the taxpayers are underwriting the costs. **It is recommended (# 53) that the Township Committee direct the executive staff to present a proposed fee schedule annually for all ongoing recreation programs.** In 1994 approximately \$456,225 was budgeted for salaries, wages and other expenses. This does not include the allocation to the Historical Preservation Commission or the township's share for the Handicapped Person's Recreational Opportunity Act. If the salaries and wages for the maintenance personnel are removed the adjusted total would be approximately \$258,663.

A major part of any recreation fee policy decision is the determination of the extent to which tax revenues are to be used to subsidize recreation. If in the first year of a fee schedule the township recovered only 25 percent of the expense listed above, which does not include the cost of benefits, the burden on the taxpayer would be reduced by approximately \$64,665. This total can be achieved without setting fees in excess of \$15.00 per participant for most programs.

It is also recommended (# 54) that the fee schedule for each upcoming year be set prior to or in concert with the presentation of the proposed budget so that accurate revenue estimates can be included in the budget.

The independent youth athletic leagues and clubs in the area already charge fees. The adoption of a fee schedule by the township for its recreational opportunities should not create any undue hardships. Nevertheless, **it is further recommended (# 55) that the township adopt a fee reduction or fee waiver policy to ensure there is an acceptable**

method in place to address the legitimate needs of residents with established financial limitations.

The movement to a fee based system may become the catalyst for the elimination of a major stumbling block to improved relations with the Town of Morristown. Morristown permits Morris Township residents to register and participate in all of its municipal recreation programs. With very few exceptions, Morris Township recreation programs are closed to the residents of Morristown.

The policy may affect only a small number of people. However, the perceived message is far reaching. Children who play together at school cannot always participate in the same publicly sponsored recreation program. Parents who attend the same PTA meeting and see each other at baseball and soccer games cannot register to participate in the same publicly sponsored recreation program. **It is recommended (# 56) the Township Committee eliminate the prohibition on registration in township sponsored recreation programs immediately**, even if a fee schedule has not yet been put into place. The value of the goodwill and cooperation will outweigh the incremental cost of a few participants.

In the section dedicated to opportunities for sharing services and enhancing cooperation among agencies additional suggestions are made regarding the significant opportunities to eliminate redundancies and reduce costs through a common recreation program.

Contracted Health Services

Morris Township has been active and successful in contracting for the provision of health services with outlying communities. The services go far beyond the mandatory health inspections to include special programs and services, particularly for the senior citizen population. **It is recommended (# 57) that consideration be given to the following:**

A. Establish a formal policy setting the extent to which the township will recover its costs for optional health services through fees and charges.

B. Offer to serve as the host or base agency for a central Morris County cooperative that would include, at a minimum, Morris Plains, Morristown and the municipalities with which Morris Township already has an interlocal agreement. The Aberdeen-Matawan Regional Health Agency could serve as a model. That agency started as a two-town cooperative and has expanded to include Holmdel, Keansburg and others.

Library Services

The joint library for Morristown and Morris Township citizens is a daily reminder of the success that can be achieved through cooperation. This cooperation actually extends beyond these two towns as a result of the reciprocity agreements.

As a result of past court decisions, the library has chosen to enhance its security services through the use of police officers inside the building. The cost of these officers is borne through the library budget. In the interest of keeping this cost to a minimum while at the same time retaining the service, **it is recommended (# 58) the library pursue an arrangement with each Chief of Police to utilize officers that might not otherwise be able to work**, particularly those who have not yet been cleared for full duty resulting from a workers compensation injury.

This would enable the township to lower the number of lost work days. If an officer can be removed from a no duty status earlier by assigning the individual to limited duty security work in the library, then it would be in the best interest of the township to do so.

THE MORRIS TOWNSHIP SEWER UTILITY

The review team found that the township may be unnecessarily bound by a sewage treatment requirement that is expensive and that may be of questionable value to the environment. In addition, recommendations are made regarding the allocations of costs between the current fund and the sewer utility fund, the impact of sewer billing procedures on the costs charged to the contract customers of the township, the general budgeting practices for the sewer utility fund, banking practices for sewer utility fund accounts and the staffing of the sewer collection and treatment operations.

Shared Costs

Given the fact that Randolph Township and Morris Plains are major contract customers and the fact that the Morris Township tax payer and rate payer are not always the same, it is important that shared costs be allocated appropriately between the current fund and sewer utility fund. The sewer utility fund should be viewed as a quasi-independent subsidiary of the township. The review team found that this distinction is not as clear as it could be.

The salary ordinances of the township indicate that the salaries for the executive staff, finance staff and tax/sewer billing staff are shared between the sewer utility and the current fund. The allocation is a fixed dollar amount each year. In 1995 approximately \$136,236 was allocated to the sewer utility fund. The salary ordinances do not provide an explanation of how the salary allocations are determined. **It is recommended (# 59) the method for determining how salaries are to be allocated be recorded in a public document adopted by the Township Committee prior to the preparation of the annual budget.** These allocations should be based on criteria such as work time spent during the prior year, volume of activity such as purchase orders, or some other measurable criteria. The allocations of salaries between funds should be a conscious policy decision that is implemented through the budget process rather than one that becomes a by-product of the budget process.

The corresponding benefit costs for the shared salaries are not divided between the two funds. The adoption of a formal policy statement provides the basis for the manager and finance officer to also allocate the benefit costs. **It is recommended (# 60) that the cost of benefits be split between the current fund and sewer utility fund in the same manner that salaries are split.** During 1995 this transaction would have resulted in an additional \$38,146 being charged to the sewer utility fund rather than the current fund based upon the salary allocations that were made.

It also does not appear that many other common expenses are shared with the sewer utility fund. These include the cost of security bonds, the cost of building usage, a portion of the audit fee, a portion of the general liability insurance premium, a portion of the officers and

directors liability insurance premium, vehicle maintenance expenses, etc. The manner in which these other expenses are allocated is also a matter of fiscal policy that should be reviewed and approved by the Township Committee annually. For shared expenses that are not as readily tied to a measure of productivity the ratio of total operating expenditures for each fund is often used. In 1995 the ratio of sewer utility fund operating expenses to current fund operating expenses was approximately 1:5. **It is recommended (# 61) the Township Committee request the executive staff present a proposal outlining costs that can be shared as well as a recommended method for their allocation.** For every \$100,000 in common costs approximately \$20,000 can be charged to the sewer utility fund.

Contract Billing Practices

Morris Township provides sewage treatment services for the Borough of Morris Plains and Randolph Township. These communities receive one bill per year based upon the amount of raw sewage treated. It appears that the costs of the sewer utility billing process and other general administrative costs that have no impact on the sewer plant operations are included in the calculations of the amount due from the two communities. Morris Plains and Randolph Township should not be subsidizing the Morris Township rate payers by being charged for something they are not using or receiving. **It is recommended (# 62) that the calculation of the average cost per gallon for treatment of sewage influent be limited** to the actual operational costs of the sewage treatment plant and only those overhead costs that are directly attributable to the operation of the sewage treatment plant.

It is also recommended (# 63) that the guaranteed minimum number of gallons to be treated be eliminated from the contracts for sewage treatment services as long as the parties receiving the treatment services from Morris Township agree not to permit their existing customers to divert flow to some other treatment source.

Budgeting Procedures

Many of the patterns and trends identified in the current fund budget practices of the township carry over into the utility budgets. Overall, revenue estimates are consistently low by a significant margin, appropriations are unnecessarily high, surplus is budgeted needlessly and the unrestricted fund balance has grown astronomically.

The preponderance of revenues collected by the utility are service charges assessed to local residents and to Morris Plains and Randolph Township. The residential rate payers in Morris Township pay a flat fee per quarter. A small number of industrial customers pay a fee based upon the amount of water consumed. Their bills are retroactively

adjusted after the water consumption data is received from the Southern Morris Utility Authority. Morris Plains and Randolph Township each pay a fee based on the average cost per gallon to treat influent and the number of gallons treated or guaranteed, whichever is greater.

The flat fee schedule for residential customers makes it relatively easy to project revenues for an upcoming year. The guaranteed minimums in the two major contracts also make it relatively easy to project revenues from these customers. In short, much of the difficulty or risk associated with utility revenue projections do not exist. The ability to accurately project revenues should be quite good.

From 1990 through 1995 the revenues collected exceeded the budgeted revenues in five out of six years. In 1990 the revenue collected was \$352,247 more than had been budgeted. By 1995 the gap between the projected and actual collections had grown to \$1,668,040. In every year except 1991 the annual operating revenue exceeded the sum of operating and non-operating expenses. By 1995 the excess of operating revenues over total expenses was \$2,130,904.

Notwithstanding the history of audit schedules showing that operating revenues have consistently exceeded the sum of operating and non-operating expenses, a portion of the unrestricted fund balance was budgeted as a non-operating revenue every year. When these non-operating revenues are included the total revenue exceeded the total expense by \$2,383,297. The total revenue was 35 percent more than the total expense in 1995.

The net result of these actions has been a tremendous increase in the unrestricted fund balance. At the beginning of 1990 the unrestricted fund balance was \$413,639. At the beginning of 1995 the fund balance was \$2,848,948. A review of the unaudited records for 1995 indicate the fund balance could go as high as \$3,828,020 for the beginning of 1996. This would be roughly 58 percent of the total expenditure in 1995.

The review team was not made aware of any major capital projects nor does the schedule of debt service payments indicate any major balloon payments in the future. Had either of these conditions existed then an argument could possibly be made that the enormous growth in surplus was appropriate and that it reflected wise planning for the future. **It is recommended (# 64) that the rate structure for the township residents and for all contractual payments be adjusted** to reduce the unrestricted surplus over a three to five year period. Caution should be taken to avoid a major rate increase in a year due to an excessive rate decrease in a preceding year. If the township were to maintain an unrestricted fund balance of approximately seven percent of all 1995 sewer utility fund expenses approximately \$3,362,600 could be returned to the rate payers in Morris Township, Morris Plains and Randolph through a rebate or an adjustment in the fee schedules.

An alternative recommendation (# 65) would be to use the excess surplus to pay down the New Jersey Wastewater Treatment Fund loans and then refinance or

debase any remaining balance for a period of 30 or 40 years. New Jersey statutes recognize the life of a sewage treatment plant as being longer than the 20 year life of the funding provided through the State trust fund. The Woodland and the Butterworth sewage treatment plant renovations were completed in the early 1990s. The cost of the debt service resulting from the capital improvements should be borne by the users of the system over the life of the system.

Banking Practices

Neither the sewer operating account or the sewer capital account earned any interest during the twelve month period used to analyze banking practices. The average daily balance in these two accounts was \$774,929 and \$51,630 respectively. Had they earned interest at a rate comparable to the New Jersey Cash Management Fund the Sewer Utility Fund would have obtained an additional \$40,253 in non-operating income. **It is recommended (# 66) that all Sewer Utility Fund bank accounts be established as interest bearing accounts.**

Sewer Rate Policy

With the exception of a small number of industrial customers all other customers pay a flat fee regardless of the amount of flow they generate. A single resident pays the same amount as a large household. **It recommended (# 67) that the fee structure be revised to make sewer utility charges based upon water consumption.** Those who generate the most demand on the sewer utility system should pay the most to operate and maintain it. Separate water bills are already sent out by an independent utility authority. It may be possible to **contract (# 68) with that utility to include the sewer charge on their bill** and collect the revenue for the township at a cost lower than what is currently paid by the township for salaries wages and other billing expenses.

Sewer Billing Procedures

In addition to changing the format of the rate structure, **it is recommended (# 69) that consideration be given to modifying the billing cycle for sewer utility bills.** Currently 100 percent of the sewer bills are due and payable during one short period of time every quarter. The sewer billing accounts can be divided into three equal lots, with each lot coming due during a different month of the quarter. The vast majority of sewer bills are paid by mail. A change in the due date should not be a major inconvenience to the rate payers. The distribution of sewer payments over the three months of a quarter will help eliminate the unusual swings in the volume of work that occur under the present system.

A revised billing cycle will also help make the cash flow for the sewer utility fund more consistent over the course of the fiscal year which in turn would make it much easier to

develop accurate cash flow projections and improve short term investment plans. An additional by-product of this type of system is that changes in the rate structure must be made prior to the start of any billing cycle. As a result, there would always be ample time to notify the public and sufficient time for the staff to properly prepare for the change in the rate structure.

Unusual Sewage Treatment Expenditures

During the course of the review, the team members learned that the Woodland Sewage Treatment plant is required to use a special chemical treatment process to remove phosphorous. This chemical treatment process is in addition to the biological treatment process used exclusively in most other sewage treatment plants. The phosphorous content in the Woodland Plant effluent averages approximately 2.0 parts per million (ppm) before the special chemical treatment process. The effluent leaving the Woodland Plant after the chemical treatment averages less than 1.0 ppm. Based on a comparison of the average treatment costs at the Woodland Plant and the Butterworth Plant the cost to reduce the phosphorous content by 1.0 ppm is approximately \$86,000 per year.

The Woodland Plant is one of four plants in the area that are required to reduce the phosphorous content to a level of 1.0 ppm or lower. It is one of two plants that flow, via streams, into the Great Swamp. The Great Swamp has a phosphorous content ranging from 5.5 to 8.0 parts per million.

More than 200 communities throughout the nation are permitted to use human made marshes or combination of natural and human made marshes to process sewage. They are recognized as very useful natural filters. In its conclusions, EPA document 600/2-76-207, Waste Water Treatment By Natural and Artificial Marshes notes that “marshes remove phosphorous from water during some periods and release it during others thus acting as a buffer.” The same document states that “conventional treatment plants which discharge effluent into wetlands possibly should not be required to provide the high degree of wastewater purification required of other treatment plants as long as other beneficial uses of the wetlands are not interfered with.”

A January 1988 report submitted to the New Jersey Department of Environmental Protection by Najarian and Associates Environmental Engineers contains data from studies of the Great Swamp that appear to support the quotes offered above. The study found varying levels of phosphorous and ammonia at different check stations. The actual phosphorous levels as well as the variation in the levels was not associated with the effluent from any sewage treatment plant. The report suggested that the biological and ecological processes of assimilation were most likely to be the reason for the variations in phosphorous. The study states that “in any case the result indicates the Great Swamp may provide environmental benefits in the form of waste water assimilation and associated water purification processes.”

The review team was unable to locate a written explanation for requiring the unusually low phosphorous levels in the effluent leaving the Woodland Treatment Plant nor could the team find any reason why the standard was applied to only four sewage treatment plants. What the review team did find was that there are clear distinctions in the discharge requirements when the body of water receiving the effluent is a lake or a former lake. Given the discharge point and the body of water receiving the Woodland Plant effluent neither of these appear to be the case.

To be sure, there is considerable debate and disagreement within the scientific community on the merits of removing excess levels of phosphorous from waste water. It is equally certain that it is definitely not within the purview or possibility of the local government budget review staff to resolve this debate. However, the question must be asked: Why must an additional treatment process costing an estimated \$86,000 per year be required when the environmental value of the process is uncertain? Barring a clear answer that is generally accepted in the scientific community and that delineates a equally clear benefit in excess of the cost **it is recommended (# 70) that the township seek permission to suspend the additional chemical treatment process.**

Sewer Plant Staffing and Operations

The township's table or organization lists ten positions for the operation of two sewer plants and three other laboratory positions. In addition there is a superintendent, assistant superintendent, five field maintenance positions and one secretary. In 1990 the total cost of salaries, wages and benefits was approximately \$566,280. By 1995 this cost had jumped to approximately \$1,146,910. The total labor cost has more than doubled.

The review team questions the redundancy of having an assistant superintendent as well as four field supervisors (lab, Butterworth Plant, Woodland Plant and maintenance supervisor). The review team also found it unusual to have three full-time lab positions for two operating plants, particularly since many of the routine lab tests can be done by other employees and be reviewed by the personnel holding the plant operation licenses. **It is recommended (# 71) that the Township Committee solicit recommendations from the executive staff to eliminate excess staffing and redundant supervision.** It would also be prudent to solicit proposals for contract management of the two plants. Given their good physical condition and close proximity it would be reasonable to expect to receive attractive proposals from firms who specialize in the contract management of sewage treatment plants.

Based on the average salaries of the supervisors the elimination of two positions would save the rate payers approximately \$129,700 in the cost of salaries and benefits every year.

THE POOL UTILITY FUND

The formation of a pool utility fund normally indicates a decision to eliminate the use of tax revenue to underwrite the cost of the facilities and the resulting recreation opportunities. The review team found that this utility is not being charged for any of the salary and benefit costs for the portion of the time the recreation director spends attending to the administration and management of the township's two pools. Other appropriate costs are not being charged to the pool utility fund. As a result, the taxpayer is still indirectly underwriting a portion of pool utility fund.

Unlike the sewer utility fund, the extent to which the pool utility fund is solvent is precarious at best. Had the fund been charged properly for shared or common costs currently being absorbed by the current fund there would be no doubt that the pool utility fund has operated at a large loss for quite some time. Also unlike the sewer utility fund, in three out of the six years reviewed the operating income has not exceeded the total annual expenditure.

In 1995 over 85 percent of the fund's revenue was generated from the sale of pool permits. 1,903 permits were sold and 59 were given to fire department volunteers. Twenty-six percent of the permits sold went to non-residents. Non-residents paid, on the average, \$100 more per permit than did the residents of Morris Township. Nearly 40 percent of the pool permit revenue was generated by the sale of non-resident permits.

Seasonal Wages and Expenses

The challenge associated with maintaining the solvency of this fund has not gone unnoticed. The salaries and wages paid in 1995 were approximately \$149,135 which was down from a high of \$173,162 in 1993. Other operating expenses have risen about eight percent over six years, which is less than the increase in the CPI-U for the same period. The review team did find that the expense of the summer staff to operate the two Morris Township pools was considerably higher than in neighboring communities. Even if differences in the sizes of the pools and the hours of operation account for some of this difference **it is recommended (# 72) that the budget for salaries and wages be reduced. A 10 percent reduction in wages would reduce the annual operating cost by approximately \$19,220 due to the cost of payroll taxes.**

Debt Service Payments

Unfortunately, increases in debt service payments have countered the efforts to minimize costs. This pattern is likely to continue if it is not addressed. In 1990 the annual debt service payment was \$99,879. In 1995 it was \$161,297. The payment for 1996 drops slightly to \$158,840. In 1997 it increases to \$178,928 before starts to decline again for

four years. In 2002 it jumps up to \$196,178. The final payment in 2005 is \$111,878. The pattern of a sudden leap in the annual cost of debt service followed by four years of declining payments creates yet another hazard or challenge for the township.

It is recommended (# 73) that the township actively explore the feasibility of re-financing or de-feasing the pool utility fund debt to mitigate the impact of the radically fluctuating debt service payments. The need to stabilize the total costs of the pool utility fund will be instrumental to maintaining its solvency.

Reserve Appropriations

It is also recommended (# 74) that the Township Committee mandate that the unexpended appropriations be canceled before the end of each fiscal year. The preponderance of the fund's expenses are known by Labor Day. The unused appropriations can be canceled prior to the end of the fiscal year. In five out of the six years reviewed there were no expenditures made from the reserve appropriations. The balance that lapsed after sitting idle for one year ranged from \$3,819 to \$21,661.

Banking Practices

The review team found that one account in the pool utility was earning interest. The operating account which had an average daily balance of \$44,950 earned no interest. The nature of a seasonal pool would suggest that a vast majority of the account activity occurs in less than half of the year. Accordingly **it is recommended (# 75) that:**

- A. The **operating account be changed to an interest bearing account;** and
- B. The **activity in this account be suspended during six months of the year** and the balance be placed in a short term investment such as certificate of deposit or a money market account. If expenses occur during this period they could be borne by the current fund and then resolved with an inter-fund transfer.

Marketing Opportunities

During the course of the interviews the review team heard nothing that indicated that over-crowding was a problem at the two pools. The review team also found little or no evidence to indicate that the pools were promoted or marketed effectively. The pool permit revenues collected in 1995 were down approximately \$11,750 from the prior year.

It is recommended (# 76) that the township implement a marketing plan to increase the sale of pool permits. Logical marketing targets would be the township's own residents, non-residents close to the two pools and large corporations in the area that want to include swimming as part of an employee wellness program. A 10 percent increase in

the sale of pool permits to residents would yield an additional \$22,600 in operating revenues. In another community visited by a local government budget review team, the decision to sell seasonal permits at an area mall for one day resulted in a tremendous increase in sales.

Part of the marketing and promotion plan should include consideration of a cooperative arrangement with Morristown and Morris Plains. The review team was told there was considerable overlap in the use of the pools owned by the three municipalities. This appears to be driven by the fact that friendships are made during the school year and the fact that the political boundaries bear no relationship to the neighborhoods.

The extent of the cooperative relationship that can be developed should be limited to permitting residents from contiguous towns to use the pools. **It is recommended (# 77) that consideration be given to establishing consolidated management of the municipal pools in Morris Township, Morristown and Morris Plains.**

If the recommendations to adjust the debt schedule, reduce seasonal staffing, cancel the unused appropriations and market the pools do not result in a significant improvement in the financial stability of the fund within two years **then it is recommended (# 78) the Township consider one or more of the following:**

A. **Solicit proposals for the contract operation** or lease of the pools. This may reduce operating costs but it will not resolve the burden created by the debt service payments.

B. **Absorb the pool budget into the current fund.** Because of budgetary cap restrictions this may require special waivers or permission from the Director of the Division of Local Government Services in the Department of Community Affairs. A decision to do this would be tantamount to stating that the use of tax revenues to underwrite a portion of the costs is acceptable.

SECTION THREE

OPPORTUNITIES FOR CHANGE IN STATE POLICIES AND PROCEDURES

The Minimum Training Standards of Volunteer Firefighters

It has been repeatedly pointed out to members of Local Government Budget Review Teams that the largest disincentive to recruiting new volunteer fire fighters are the relatively new minimum training requirements. While no one wants to place a volunteer in harms way, any volunteer, particularly a volunteer fire fighter, must respect the limitations of their ability and accept responsibility for the risk taken to fight a fire.

The magnitude of the difficulty in recruiting new volunteers in Morris Township was apparent to the review team. In a community that clearly has a very strong sense of volunteerism and equally strong recognition and incentive programs there is still a major problem recruiting new volunteer firefighters. **It is recommended (# 79) that the State review the minimum training standards for volunteer fire fighters with the intent of establishing core training standards that do not inhibit the recruitment of volunteers.**

SECTION FOUR

OPPORTUNITIES FOR ENHANCED COOPERATION

The Township of Morris, the Town of Morristown and the Borough of Morris Plains are already inextricably inter-related in many ways. A very strong argument can be made that they are economically dependent upon each other. Without the residential population the surrounding retail and commercial ventures would not survive. Conversely, without the existing retail and commercial outlets the residential areas would not have developed as they have. This relationship and the resulting impact on assessed valuations and tax rates is strong enough that it is in the best interests of the taxpayers of all three jurisdictions to do everything possible to ensure the well being of the entire region.

Morris Township and Morristown already share a common library. The Morris Plains residents have equal access to this facility as a result of the existing reciprocity agreements. All of the public high school students share the same faculty and facilities. There is a common ambulance service. Inter-agency contracts exist for the provision of many public health services. The independent youth athletic programs make no distinction concerning where their registrants live. The formal mutual support agreements and the day-to-day cooperation between police departments and fire departments are clearly commonplace. The analysis of purchase orders completed by the review team indicated that there are common vendors and service contractors among the three municipalities.

Notwithstanding the existing level of cooperation there are differences in attitude that create a level of tension or frustration which may be hampering the opportunity for even more cost-effective cooperative arrangements. When pressed to describe the real magnitude of these differences every person suggested that they can be overcome given an earnest commitment to constructive change and an enhanced appreciation for the region defined by the perimeter of Morris Township and Morris Plains.

Ironically, it is the staff of the Morris School District that is probably the most aware of and sensitive to the real or perceived differences in the communities. On more than one occasion the school district has functioned as a de facto arbitrator or referee in disputes arising out of the different perceptions or the different procedures of the communities.

The potential for enhanced cooperation resulting from improved relationships clearly exists as indicated by the fact that members of the executive staffs of all the local agencies having been getting together on a regular, albeit informal, basis for quite some time. This dialogue should be expanded. Accordingly, **it is recommended (# 80) that the governing bodies of the three municipalities and the two school districts formally designate an official to be an inter-agency liaison** for the express purpose of having regular discussions on topics of mutual interest. Given their involvement, it would appear to be beneficial to invite a representative of the Leadership Morris Shared Services Project to serve as an ex-officio member of this group. There are innumerable ways in which two

or more agencies can implement a plan to reduce expenses through cooperation. These include but are not limited to:

A. **Single-source contracting** between agencies where one agency assumes responsibility for all services defined in a contract. For example, Middletown Township provides all building code inspections services for Keansburg and Atlantic Highlands. Middletown recovers its costs based upon a mutually agreed upon schedule of fees.

B. **A mutual or combined staff**, physically housed in one agency yet performing work for all jurisdictions involved in the agreement. The most common examples are consolidated planning and zoning staffs where the importance of a regional orientation is acknowledged and utilized to the fullest extent possible.

C. **Cooperative contracting** where two or more governmental agencies jointly contract the services of a private vendor. This is analogous to the cooperative purchasing ventures already used by many governments. The concept is now being expanded to include services ranging from road repair to computer hardware and software maintenance contracts.

D. **Shared staffing** where two or more agencies cooperate in underwriting the payroll and benefit cost of one or more staff members who perform different work for each agency involved. This is most common where a particular expertise is needed, but none of the agencies can justify a full-time position or full-time staff by itself. Common examples include systems operation and management information systems personnel, an arborist or agronomist, an attorney specializing in tax and foreclosure proceedings, etc.

E. **Mutually supported enterprise functions.** By its very name an enterprise function should be self supporting. There are, nevertheless, some cases where a limited amount of tax support may be considered appropriate, particularly if the tax burden can be reduced through a cooperative effort, to ensure the long term viability of the function. A “Community Education and Recreation Department” would be a good example.

F. **Consolidation of Structured Services.** In many cases the function and procedures of a governmental office are precisely outlined by statutes and regulations. There is little room for local interpretation or local deviation from the established procedures. Given the uniformity in procedures economies of scale can be readily achieved through consolidation of one or more offices. A consolidated tax collection office would fit this model.

The six examples outlined above focus on three different service characteristics. They address the need to reduce redundancies, particularly for optional governmental services; utilize specialized areas of expertise in a cost effective manner; and take advantage of economies of scale in structured functions.

Based upon the review completed on behalf of the Town of Morristown, the Borough of Morris Plains and the Township of Morris the following nine items have been identified as prime opportunities to reduce costs through cooperation. The inclusion of a recommendation is not, under any circumstance an assessment of the staff currently performing the functions listed below. The review team used organizational size and structure, level of service being provided, market place conditions, local procedures and governmental responsibility as the primary criteria for considering opportunities for additional cooperation. Recommendations for enhanced cooperation previously offered in this report and the reports submitted to the other two municipalities are not restated. They are, nevertheless, valuable opportunities worthy of consideration.

In some cases the Morris School District and the Morris Plains School District can benefit from, participate in, or even become instrumental in facilitating the success of the recommendations outlined below. It is expected that additional opportunities for cooperation will be included in the reports being prepared for these agencies.

1. Cooperatively contracted vehicle maintenance. The work space for the public works departments of all three municipalities is at a premium. Given the total geographic size of the three communities and the total number of vehicles being maintained there is no apparent need to retain three separate vehicles maintenance functions. **It is recommended one vehicle function be established to serve all three agencies.** At least two different options appear to be plausible. First, the three agencies can jointly bid for all vehicle maintenance and repair work to be done by a private contractor. One site may have to be designated for this work.

A second alternative would be to implement an arrangement similar to the agreement being used in the Somerset County garage. In this case the county has established an inter-local agreement for maintenance and repair of municipal vehicles. The range of work to be done by the county and the fees for the work are clearly spelled out in the agreement.

In this instance one municipality could become the host agency while the others would send their work to the host. The opportunity for cooperation with the county should not be overlooked as they already make fuel available for municipalities.

2. Interlocal Building Permits and Inspections. The demand for building code inspections tends to vary from year to year based upon the economy, interest rates and other factors beyond local control. One plausible way to mitigate the variation in activity is to have one centralized staff. The Middletown Township agreement with the Boroughs of Keansburg and Atlantic Highlands can be duplicated effectively.

Building permits are issued in each local town hall and all fees are collected in the local town hall. Inspection requirements are faxed to Middletown where they are scheduled and promptly completed. Middletown then bills the local municipality for the service rendered based upon a previously adopted schedule of fees. After an initial period of hesitancy

contractors found this to be a very effective system because there was greater continuity and consistency in the inspection process. The local agencies retain the ability to monitor the number of permits issued for tax assessment purposes and they retain the net fee after making the scheduled payment to Middletown.

3. Interlocal Fire Safety Inspections. The number of fire safety inspections does not vary as much from year to year as do the building subcode inspections. It will tend to increase as additional buildings classified in the “life hazard” category are constructed. Morris Township currently completes all of their inspections utilizing three fire fighters cross trained as inspectors. Morristown utilizes the services of the New Jersey Department of Community Affairs. Morris Plains retains the services of a part-time inspector.

It is recommended that an interlocal agreement be adopted to authorize the certified fire subcode officials on the Morris Township staff to do the inspection for all three communities. Even if it became necessary to remove one or more of the township’s inspectors from the dual role of fire fighter it should be possible to get all inspection work properly completed at the local level on a timely basis. The use of local personnel may also enhance the dialogue with the fire fighters since one of their ongoing requirements is to maintain an accurate working knowledge of the structure and organization of the major building within their area of response.

4. Consolidated Tax and Utility Collections. Specific recommendations regarding the scheduling of utility payments are discussed in an earlier section of this report. The tasks of billing, collecting and reporting for utilities and property taxes is remarkably consistent across agencies. As a result the ability to accurately project costs and to apportion costs based upon the number of accounts managed is relatively easy. The vast majority of bills are paid through the mail. It is recommended that consideration be given to consolidating the printing, mailing, collection, depositing and reporting of tax and utility bills. Given the availability of space in the new Morristown Town Hall the consolidated staff could be located there. If necessary, limited walk-in service could still be provided in Morris Township and Morris Plains. Each municipal staff would still have bonded personnel authorized to collect and handle money.

5. Consolidated Payroll Services Contract. The rates being paid by each agency are different. This appears to be due to the relative size of the respective staffs, the date when the service was contracted and the optional services selected by each agency. If the local agencies can reconcile the differences in the optional services being used, and the payroll calendars are coordinated to ensure maximum uniformity, it should be plausible to bid this service as one entity. This business arena is becoming increasingly more competitive. It would be in the best interests of the taxpayers to make optimum use of these market conditions.

All of the contracted payroll services observed by Local Government Budget Review Teams have the ability to code, sub-code, sort and sub-sort their data reports. Given the

increasing competitiveness of this service the several vendors may be interested in pursuing such an agreement.

6. Emergency Services Dispatching. The volume of calls documented by each of the fire services and each of the police services does not equal the number of calls commonly received in a city having the same size population. In addition, the historical patterns of call data clearly show fairly consistent patterns of minimum activity during certain hours. It is recommended that consideration be given to a consolidated dispatch function during at least one shift, if not entirely. Arrangements exist between New Jersey towns today where the dispatch responsibility is shifted to a “central” agency for set hours of the day. The fees charged by the host agency do not equal the costs to staff a separate dispatch center since additional personnel are usually not needed. Both agencies are able to reduce their net costs without reducing the effectiveness of their response system.

It may be practical to approach this incrementally. If consolidated dispatching were to be successful during one shift it could be expanded to other shifts as desired. Given the multi-channel capabilities of the existing radio systems, the initial capital outlay to ensure communication capabilities exist between the central dispatch site and all police vehicles should be minimal.

7. Consolidated Recreation Programming. Many of the youth athletic programs are provided by independent organizations. These groups receive a small stipend from the municipalities and they also have access to the publicly owned playing fields. Other recreation programs are provided directly by the local governments. Recommendations have been made previously encouraging the respective municipal agencies to reconsider the extent to which tax revenue is used to subsidize recreation services. The lower the tax subsidy the less likely they are to be concerned about where residents live.

The debate over the propriety of using tax revenue for special events and recurring programs took on greater prominence in the mid-seventies when the voters of California passed Proposition 13. This action, which has since been mitigated partially, changed the connotation of municipal recreation from a governmental function involuntarily subsidized by taxes to a proprietary function underwritten by voluntarily paid fees.

The library is a major component of any leisure service delivery system. It is one of the existing examples of a strong, successful cooperative venture. Given the existence of a community school enterprise fund in the Morris School District budget, it may be plausible to develop a common Community Education and Recreation Fund. This premise will be more fully discussed in the Morris and Morris Plains School District reports.

8. Consolidated Programs and Services for Seniors. In much the same manner that youth and family leisure programming can be consolidated, the special programs and services offered to the senior residents of Morristown, Morris Plains and Morris Township can be coordinated through a comprehensive inter-local agreement. One comprehensive

set of programs and services supported by all three municipalities is much more likely to be responsive to a larger number of citizens in a more cost effective manner.

9. Seasonal Road Repair. The advent of Spring always brings with it a certain uneasiness in every local government as the demand for road patching work grows. The need to patch winter potholes usually occurs at the same time the crews are trying to finish the leaf pick-up that is so often interrupted by an early snowfall or prepare the outdoor facilities and fields for Spring activities. It can be a no-win situation for the public works staff, the executive staff, the elected officials and for the taxpayers.

None of the three municipalities can afford the luxury of a full-time road patching crew nor do any of them own the capital equipment needed to do an effective job. To get the job done each public works director must “rob Peter to pay Paul.” It is recommended that consideration be given to jointly bidding a road patching contract based upon a unit price for work completed. Even if a baseline fee had to be paid it would, in all probability, be less than the overtime expense currently being incurred. This would also allow the municipal crews to complete their other major seasonal tasks.

None of the recommendations offered above are new, unique or novel. Arrangements similar to those described above already exist between municipal agencies. The inventory of cooperative ventures is large and it is growing.

By raising these issues and putting them on the table, we hope that the local elected officials in Morris Township, Morristown and Morris Plains will be able to accelerate the degree to which they adopt cooperative agreements to provide the best possible services to the taxpayers at the lowest possible tax rate.

LOCAL GOVERNMENT BUDGET REVIEW

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